THE FREEMAN

IDEAS ON LIBERTY

National Health Insurance: A Medical Disaster

Electability

Never to Be Put Up for Vote

Two Kinds of Slums

OCTOBER 1992

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IDEAS ON LIBERTY

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PERSPECTIVE

The Education of a Politician

For 24 years George McGovern was in political office as a U.S. Congressman and Senator, and was also an unsuccessful Democratic candidate for President. Then in the hopes of realizing "a long-time dream" he invested in "a combination hotel, restaurant and public conference facility—complete with an experienced manager and staff," only to have his hopes dashed when the hotel went bankrupt.

McGovern and his business associates found that they had to live with Federal, state, and local rules, "all passed with the objective of helping employees, protecting the environment, raising tax dollars for schools, protecting [their] customers from fire hazards, etc." All noble goals, to be sure. But McGovern now realizes that what "most often eludes legislators is: 'Can we make consumers pay the higher prices for the increased operating costs that accompany public regulation and government reporting requirements with reams of red tape?"

McGovern's hotel "went bankrupt for a variety of reasons, the general economy in the Northeast being a significant cause. But that reason masks the variety of other challenges . . . that drive operating costs and financing charges beyond what a small business can handle." And beyond what consumers can and will pay.

Faced with higher prices, consumers can make other choices, spend less, go elsewhere, vacation in their backyards, stay fewer nights in hotels, eat out less, and forgo various services such as car washes and shoeshines. "Every such decision eventually results in job losses for someone," McGovern laments. "And often these are the people without the skills to help themselves—the people I've spent a lifetime trying to help."

Thus experience taught one former politician an important economic lesson: Government controls and regulations end up hurting the very persons they are designed to help.

—Bettina Bien Greaves

The Munchies

Communism has a lot going for it—a totalitarian political doctrine, a utilitarian ethical code and a brutalitarian leadership. There was even some-

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thing called, as in the title of Edward Luttwak's book, *The Grand Strategy of the Soviet Union.* Surely, nothing could stand against a country and a movement which was blessed with a "grand strategy."

Nothing, that is, except the munchies. Over the centuries men, women and children got hooked on eating food. Then, they started dressing in non-burlap shirts and wearing shoes instead of wrapped rags. This nascent consumerism served human beings well, while doing the dirty on feudalism and, more recently, on Communism.

In the United States, the munchies struck citizens at movies and at celebrations following office softball games. Joe Six-Pack and, for that matter, everyone else shooed them away at Miller Time with saturated fats, starches, and other good things. Americans lived, loved, fattened, and expired from seizures. The German economist Werner Sombart hit it just right. "Socialism," he wrote when explaining the failure of the doctrine in the United States, "has always foundered on the shores of roast beef and apple pie."

—LARRY PARR,
writing in the July-September 1990 issue of
Glasnost

Early Warning

All the books which recommend the establishment of a planned economy in a civilian society paint an entrancing vision of what a benevolent despotism could do. They ask—never very clearly, to be sure—that somehow the people should surrender the planning of their existence to "engineers," "experts," and "technologists," to leaders, saviors, heroes. This is the political premise of the whole collectivist philosophy: that the dictators will be patriotic or class-conscious, whichever term seems the more eulogistic to the orator. It is the premise, too, of the whole philosophy of regulation by the state, currently regarded as progressivism. Though it is disguised by the illusion that a bureaucracy accountable to a majority of voters, and susceptible to the pressure of organized minorities, is not exercising compulsion, it is evident that the more varied and comprehensive the regulation becomes, the more the state becomes a despotic power as against the individual. For the fragment of control over the government that one man exercises through his vote is in no effective sense proportionate to the authority exercised over him by the government.

Benevolent despots might indeed be found. On the other hand, they might not be. They may appear at one time; they may not appear at another. The people, unless they choose to face the machine guns on the barricades, can take no steps to see to it that benevolent despots are selected and the malevolent cashiered. They cannot select their despots. The despots must select themselves, and, no matter whether they are good or bad, they will continue in office so long as they can suppress rebellion and escape assassination.

Thus, by a kind of tragic irony, the search for security and a rational society, if it seeks salvation through political authority, ends in the most irrational form of government imaginable—in the dictatorship of casual oligarchs, who have no hereditary title, no constitutional origin or responsibility, and who cannot be replaced except by violence.

—WALTER LIPPMANN, writing in
The Atlantic Monthly, 1937

The Long Run

It is true, many people believe that economic policy should not bother at all about long-run consequences. They quote a dictum of Lord Keynes: "In the long run we are all dead." I do not question the truth of this statement; I even consider it as the only correct declaration of the neo-British Cambridge school. But the conclusions drawn from this truism are entirely fallacious. The exact diagnosis of the economic evils of our age is: we have outlived the short-run and are suffering from the long-run consequences of policies which did not take them into consideration.

—LUDWIG VON MISES, *Planning for Freedom*

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THE FREEMAN
IDEAS ON LIBERTY

Never To Be Put Up For Vote

by Nelson Hultberg

We have given you a Republic, Madam, if you can keep it.

—BENJAMIN FRANKLIN

It is the view of most Americans today that as long as legislation is established by a majority vote of the people, then those people are politically free, and justice reigns. This modern view would be considered grievously naive by the Founding Fathers, who in their perusal of history had acquired a thorough grasp of the follies of ancient Greek democracies. In their minds, it would be ludicrous to determine freedom and justice merely by democratic approval of laws.

This is an enormously important point for Americans to understand, for the fact that it is not being taught in our schools and clarified in voters' minds is one of the main reasons why statism has spread throughout the world.

If we consider freedom to be most prevalent where there is a minimum of coercion, it should be clear to any man with a jot of common sense that we are no longer completely free in this country, that there is, and has been for some time now, in the words of Robert Nisbet, a "new despotism" creeping over us.

If we were to ask an ordinary American if he considers himself free and his government just (and if he were articulate), he would undoubtedly recite a long list of policies forced upon him by Washington and his own local city hall, ranging from ever increasing taxes and welfare to the incredible absurdities of mandatory co-ed gym classes, the banning of father and son picnics, and state-mandated hiring of drug addicts and drunks.

If we were to ask one of America's industrious small businessmen today if he considers himself free and his government just, he would (if he were politically aware) promptly reply, "Are you kidding? I'm unfairly taxed, regulated, and controlled beyond belief by mindless government bureaucrats. The forms to fill out for one year's operation alone are enough to swamp an army of secretaries and the most sophisticated computer I can afford to buy."

If we were to ask one of America's more money wise pensioners today if he considers himself free and his government just, we would be informed somewhat testily, "Certainly not. My savings are being systematically destroyed, a little bit more every year, by the 'paper aristocracy' and government-induced inflation. Federal Reserve flim-flammers are robbing me as surely as if they were to come into my local bank and steal a certain percentage of my savings account."

How are we to account for such reactions? America doesn't have a visible dictator and is not like the Chinese, South Asian or Middle East tyrannies. How then can there be such widespread

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disenchantment with the amount of freedom and justice we have in this country? The answer of course is that America does have a dictator, an invisible dictator. It is difficult for many to recognize, for the dictator is not the President, or the Congress, or the Supreme Court. It is *popular will.*

What is the difference whether a government's dictates emanate from a single autocrat like Hitler, or from oligarchs like the Party in China, or from an electoral plurality as in America? If they are absolute dictates, arbitrarily arrived at, widespread and cannot be disobeyed by the individual, then freedom no longer prevails.

Today's high school civics classes laud the idea of "democracy" with pages of hosannas attesting to its charm. But our children would be better served with an introduction to H. L. Mencken's *Notes on Democracy:* "The aim of democracy is to break all . . . free spirits to the common harness. It tries to iron them out, to pump them dry of self-respect, to make docile John Does of them. The measure of its success is the extent to which such men are brought down, and made common. The measure of civilization is the extent to which they resist and survive. Thus the only sort of liberty that is real under democracy is the liberty of the have-nots to destroy the liberty of the haves."[1]

"[M]en of unusual intelligence and enterprise, men who regard their constitutional liberties seriously and are willing to go to some risk and expense to defend them . . . are inevitably unpopular under democracy, for their qualities are qualities that the mob wholly lacks, and is uneasily conscious of lacking."[2]

"Why should democracy rise against bribery? It is itself a form of wholesale bribery. In place of a government with a fixed purpose and a visible goal, it sets up a government that is a mere function of the mob's vagaries, and that maintains itself by constantly bargaining with those vagaries. Its security depends wholly upon providing satisfactory bribes for the prehensile minorities that constitute the mob, or that have managed to deceive and inflame the mob."[3]

"The democrat, leaping into the air to flap his wings and praise God, is forever coming down with a thump. The seeds of his disaster . . . lie in his own stupidity: he can never get rid of the naive delusion . . . that happiness is something to begot by taking it away from the other fellow."[4] What then are we to make of this ruinous, "legalized plunder" that we call participatory democracy and extol as some sort of political Nirvana?

A Constitutional Republic

What we are to make of it is that America was never meant to be a pure democracy. She was meant to be a strictly limited Constitutional Republic, governed by elected level-headed, high-minded men whose chief function is to preserve our rights rather than render them non-existent.

In other words, the Founding Fathers recognized that all men possess rights that were *never to be put up for vote.* One of the most important of these was a man's right to his property (which meant also his wages and his profits). This is the fundamental cornerstone of our economic system, and precisely where it differs from the tumult of a democracy. The majority will is supposed to be strictly limited and have no power to redistribute a man's earnings. America's Founding Fathers knew their history well, and had seen the ultimate result of democracies—that they vote themselves into tyrannies, marked by constant unrest and sedition.

James Madison gave us sage advice when he warned that "democracies have ever been spectacles of turbulence and contention; have always been found incompatible with personal security or the rights of property; and have in general been as short in their lives as they have been violent in their deaths."[5]

John Adams advised his fellow countrymen: "There never was a democracy yet that did not commit suicide."[6]

Thomas Jefferson, writing in relation to the Virginia legislature, stated, "one hundred and seventy-three despots" are "as oppressive as one," and that "an elective despotism was not the government we fought for."[7]

Even the intellectuals of ancient Rome recognized that their empire's greatness and freedom were directly related to their republican form of government. In the words of historian Will Durant, Cicero believed that "[w]ithout checks and balances . . . democracy becomes mob rule, chaos, and dictatorship." Cicero went on to say that the man usually chosen as leader in a democracy is "someone bold and unscrupulous . . . who

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curries favor with the people by giving them other men's property."[8]

Are we in modern America any different? Are not our political leaders "bold and unscrupulous"? Do they not attempt to "curry our favor" by advocating the redistribution of more and more personal wealth for social services? Is this not the same as giving the people "other men's property"? Have not all our modern era administrations been possessed of the same dictatorial inclinations? Have they not all advocated that the productive people of the nation give up progressively more of their earnings every year for those who do not wish to be productive?

Here then is the evil of a democracy: It allows dictatorial control and confiscation of property simply because the electorate desires such control and confiscation. The concept of individual rights is thus destroyed, a dangerous cloud of confusion develops in the area of social ethics, and the *might of numbers* becomes our only guide as to what is right and wrong.

Few businessmen would ever think it right to rob the corner grocery store at the point of a gun to obtain money to help their faltering dry goods business. Yet most Americans today do not think it wrong to force the owner of that grocery store (under the threat of a prison sentence) to give up a substantial portion of his money (in the form of higher taxes) to subsidize corporations that are unprofitable, to support able-bodied men and women until they decide to go back to work, to reward pretentious mediocrities through the National Endowment for the Arts, and to pay farmers not to grow crops. What is the ethical difference between the two acts? Both are violations of the individual store owner's right to the product of his labor. The democratic method is so indirect that the responsibility for the act is diffused, and thus not so obvious to the perpetrators. But is it somehow right because a plurality of the electorate is supporting it? The philosophical democrat would answer yes. But both acts, the gun-point robbery by an individual and the government taxing, are acts of coercion and infringe the individual store owner's rights. In both cases, the owner is forced against his will to give up money that he has earned to be used for a purpose that he neither approves of, nor cares about, nor is necessary to preserve a free society.

Philosophical democrats should ask themselves the following: What if a plurality of the people were bigots and voted a curfew for blacks? What if a plurality of the people were secular humanists and decided that the free exercise of religion was a detriment to the public interest? Or overwhelmed with the envy that lurks in the heart of every man decided to impose a 100 percent tax on incomes over $30,000 per year? Would such unbridled bigotry and envy be right because the majority will had voted so? Certainly not. A majority has the same capacity to destroy a man's freedom and a nation's justice as any graft-swilling despot in any Third World dictatorship.

By their very nature, an individual's rights are not to be abrogated by vote. They are not to be subject to open assault by frenzied voters in search of covetous gratification. Madison, Jefferson, Hamilton, Henry, and Adams would be inflamed with outrage at the constitutional violations taking place in America today—violations that strike at the heart of the existence of the Republic.

Power Brings About Corruption

As Constitutional scholar Gottfried Dietze points out, the Founders of this nation believed that "popular government, being as human as any other form of government, . . . was not immune from the corruption that tends to come with power. An expansion of popular power . . . could bring about despotism as much as had the expansion of monarchical power . . . . In a word, the growth of democracy could conceivably reduce the protection of the individual. It could pervert free government into a sheer majority rule which considered democracy an end in itself.

"It testifies to the wisdom of the Founding Fathers that they recognized this danger. The oppressive acts of Parliament and of some state legislatures had brought home to them a democratic dilemma which was expressed by Elbridge Gerry's remark in the Federal Convention: 'The evils we experience flow from the excess of democracy.' The recognition that American government had to be democratic was accompanied by the realization that democracy could degenerate into a majoritarian despotism. To prevent this, democracy was bridled. While men were deemed worthy of self-government, they were not considered so perfect as to be trusted absolutely. They were not given free reign."[9]

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Our primary fault today then is that we have misconstrued what the democratic process is really for by giving men the right to vote themselves special privileges and riches at the expense of their neighbors. We now think the voting process can be used to determine what the entire role of government should be.

In other words, whatever a plurality of voters wish of their government, they have the right to have, which in baldest terms is *mobocracy,* and leads to what Alexis de Tocqueville warned it would—the tyranny of the majority—in which the power of government "covers the whole of social life with a network of petty, complicated rules that are both minute and uniform through which even men of the greatest originality and the most vigorous temperament cannot force their heads above the crowd. It does not break men's will, but softens, bends, and guides it; it seldom enjoins but often inhibits action; it does not destroy anything, but prevents much being born; it is not at all tyrannical, but it hinders, restrains, enervates, stifles, and stultifies so much that in the end each nation is no more than a flock of timid and hardworking animals with the government as its shepherd."[10] This is modern democracy. If men such as Tocqueville, Acton, Burckhardt, Mill, Spencer, Belloc, and Mencken were alive today, they would surely be amused at our calamitous efforts to govern ourselves by counting noses to decide truth and political legitimacy.

This is not what America's *republican* form of democracy was meant to be. The democratic process, in its republican form, was meant to be mainly the ability to remove politicians from office peacefully. It was meant to be a method to transfer power, not a method to define the scope and size of government. Such a task as that had already been accomplished through the Constitution. Thus the powers of government were already defined, with its functions prescribed for it in a written Constitution. The laws and services that citizens were to be allowed to vote for were strictly limited, and were almost always to be provided on the local or state level. Only in a few clearly designated areas were the people to be allowed to vote for the Federal government to provide them with laws and services. If it became necessary to alter this procedure, there was an amendment process provided that would require the electorate to operate deliberately and prudently. This was America's *republican* form of limited democracy.

Democracy's proper task is to allow people to determine which citizens of their communities are sufficiently possessed of the necessary integrity, brains, and skills to go to the seats of political power and implement government's *pre-defined constitutional* functions. It is basically a tool to avoid violence and coups d'état in the transfer of power, to assure a peaceful and orderly succession. But the role of government cannot be left up to the vote of the majority in the open-ended, arbitrary manner that presently prevails. As the history of every ancient Greek democracy demonstrates, such a system will destroy the edifice of liberty, order, and prosperity.

Many pundits, when confronted with the majority-will dilemma, reply that such concern over the tyranny of the electorate is paranoid; that the country has endured till now, and that it will continue to do so; that the erosion of rights spoken of here could never happen. But it already has happened, continuously throughout the past 80 years, and to a lesser degree throughout the 19th century.

The progressive income tax amendment ratified in 1913, which basically permitted the destruction of the right to the product of one's labor and also equal rights under the law, was justified by the fact that the "majority of Americans" approved of it. In this case, three-fourths of the state governments eliminated the constitutional ban on direct taxation, and a plurality of our Congressmen made it steeply progressive over the years.

The fact that it takes three-fourths of the state governments to alter the Constitution does not effectively check a covetous majority from infringing the rights of the individual. Fifty-one percent of each single state's legislators present and voting is all that is required for that state to ratify a fundamental change in the Constitution, and those legislators are put in office by a plurality vote of the people of that state.

Thus if a plurality percent of the voters of 38 states can take away a man's fundamental rights, we really do not have an iron-clad guarantee against tyranny. In this way, it takes *even less* than 51 percent of the nation's voters to alter the structure of the Constitution itself and abrogate all the freedoms we possess. Thus even our "deliberate process" of amending the Constitution is susceptible to exploitation at the hands of ill-informed people.

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There are numerous other examples of freedoms lost to majority passions during this past century. For example: The rash of labor legislation enacted during the twenties, thirties and forties (the Clayton, Wagner, and LaGuardia Acts), which destroyed the rights of workers and owners to trade freely, was justified by the fact that the "majority of Americans" approved it. The government's present obsession with implementing racial and sexual quotas in business and education, which violate men's rights to associate freely, are being justified by the fact that the "majority of Americans" approve of them.

Polls show that the "majority" approves of federal legislation restricting free trade. Yet the rights to trade openly and to associate freely are supposed to be clear-cut rights guaranteed to us as Americans. How long will they remain predominantly so? The Federal government is so imperious now that it doesn't even bother to cajole the necessary majorities of the required 38 states into amending the Constitution, to give it the power it wants. It merely grants itself sufficient bureaucratic power every few years to chip away at the right of citizens to dispose of their property, to trade and to associate.

If the Federal government can take away our right to our property (i.e., our income), our right to trade openly, and our right to associate freely because of "majority approval," then it can also at some later date take away our right to worship freely, our right to speak and write freely, our right to *habeas corpus*, or any other right we now possess. Yet are any of these usurpations proper because the majority wills them? Or even three-fourths of the people? The answer is automatic to stalwart men of honor and principle: Might does not make right. The power of the majority will must always be *limited.* And this is the reason why the Constitution should be interpreted literally, protecting rights that transcend the electoral process.

This was the vision of America's revolutionaries in 1787. They gave us a *republic,* not a *democracy.* And though they fell short of achieving a perfect document, they at least gave the world a spectacular start toward understanding the value of a written Constitution. They recognized that all humans have rights that are essential for the living of life—the chief of those being freedom of thought, association, and trade, and the control and disposal of one's property—rights that were not to be taken away by the one or the many.

In the end, personally committing an evil act most clearly shows its evil, such as the individual robbing a store. But the indirection of that same evil act (such as takes place through political means, when a plurality of voters approve legislators and laws to confiscate private property through taxes) clouds the concepts of right and wrong and allows the evil to become entrenched. In such a covetous climate, tyranny is not far away.

Few authorities are willing to discuss it, but here is a principal impediment to freedom and justice in America today: our blind worshiping of the majority will. We are making slaves out of those who are productive, and rulers out of special interests. We are allowing the destruction of individual rights to be justified by the might of numbers. The democratic majority swathed in envy is stepping all over the individual, and we have lost the clarity of mind to recognize such a crime for what it is. □

1. H. L. Mencken, *Notes on Democracy* (New York: Alfred A. Knopf, 1926), p. 151.
2. *Ibid.,* p. 160.
3. *Ibid.,* p. 180.
4. *Ibid.,* p. 208.
5. Essay No. 10, *The Federalist Papers,* Roy P. Fairfield, ed. (New York: Doubleday & Co., 1961), p. 20.
6. *The Selected Writings of John and John Quincy Adams,* Koch and Peden, editors (New York: Alfred A. Knopf, 1946), p. xxxii.
7. Quoted in Gottfried Dietze, *The Federalist: A Classic on Federalism and Free Government* (Baltimore: The John Hopkins Press, 1960), p. 61.
8. Will Durant, *The Story of Civilization, Part III: Caesar and Christ* (New York: Simon and Schuster, 1944), p. 165.
9. Gottfried Dietze, *America's Political Dilemma: From Limited to Unlimited Democracy* (Baltimore: The John Hopkins Press, 1968), p. 14.
10. Alexis de Tocqueville, *Democracy In America,* J. P. Mayer, editor (New York: Anchor Books, 1969), p. 692.

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The Marketplace Relies Upon Commercial Free Speech

by Jonathan H. Adler

While flipping through the pages of one's favorite magazine, one is likely to come across an advertisement for a popular brand of cigarettes—Marlboro, Salem, or perhaps the irrepressible Camel. By law, each of these advertisements must carry a warning to the effect that smoking is hazardous to one's health. Should Senator Strom Thurmond have his way, the same labels may be found in advertisements for alcohol. Not content with the labels that are currently affixed to each and every bottle of spirits, many Senators wish to see these warnings placed on billboards and television spots as well: "WARNING: It's against the law to purchase alcohol for persons under age 21"; "WARNING: Drinking alcohol may become addictive"; and several others authored by the federal government.

The Regulation of Speech

While Senator Thurmond maintains that "warnings represent one important step in educating the consumer on the potential hazards of alcohol consumption," polls demonstrate conclusively that the vast majority—consistently over 95 percent—of consumers of alcoholic products are fully aware of the potential dangers of alcohol. In fact, were it not for many of alcohol's effects, the popularity of its consumption would be greatly diminished. From champagne at New Year's to an ice cold beer at the ball game, the regular consumption of alcohol is a staple of American life. For myriad reasons, millions of Americans feel that the risks posed by alcohol consumption are outweighed by the immediate pleasures it provides.

Nonetheless, the Senate is moving to force new warnings upon alcohol producers, and the Surgeon General has begun to wage war against those alcohol advertisements officially deemed unacceptable for viewing by the general public. Such was the case with "Powermaster," a malt liquor which was pulled from the shelves because of a federal prohibition against the advertising of an alcoholic beverage's potency. That its name was truthful was not enough; it had to be "commercially correct" by government standards as well. A similar regulation prevents the sellers of many products—from alcohol to aspirin—from advertising that moderate consumption of their goods can result in improved health.

Another recent victim of the government's assault on the advertising of alcohol is "Black Death," a brand of vodka that is imported from Belgium. This time the charge, leveled by the Bureau of Alcohol, Tobacco, and Firearms (BATF), is that its name and label—which pictures a smiling, top-hat-wearing skull—was somehow misleading. Concluded BATF, "The impression created . . . is that the product is inherently unsafe for human consumption at any level." Because this is not the case, Federal bureaucrats decided that "the brand name is misleading and is in violation." Now the vodka will be marketed under the name "Black Hat" with the same packaging and logo. Presumably this will pass muster with BATF.

Behind all of these government efforts to regulate the display and advertising of alcohol lies the presumption, generally accepted in many legal cir-

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U.S. Surgeon General Antonia Novello has been a leader in the continuing assault on alcohol industry advertisements.

cles, that there is a valid distinction between commercial and other forms of speech. This distinction, it is presumed, permits governmental regulation of commercial speech that could not be contemplated in other areas.

The First Amendment

Yet to limit the communication of commercial information not only raises serious constitutional concerns, but actually serves to restrict the information upon which consumers in the marketplace typically rely. Even mandated labels act to restrict information by compelling the use of the limited space available for communicating government-preferred information. Lite Beer may have to devote five or ten seconds of a paid 30-second ad to the government-mandated warning. This proposed policy is not an attempt to educate an ignorant public on the dangers of alcohol, "but an attempt to conscript advertisers' private property as 'mobile billboards' for an already widely known message deemed useful by the state," notes New York University Law Professor Burt Neuborne.

Ironically, alcohol labels would be required to carry warnings, yet they are prohibited from advertising their potency. Even accepting current Supreme Court precedents on compelled commercial speech, such actions are legally valid only if used to prevent deception. The American people are not being deceived about alcohol; they merely are unconcerned with its risks.

"If the majority can manipulate the market by interfering with the free flow of economic information, consumer capitalism is threatened," notes Neuborne. The marketplace, whether of products or ideas, is predicated upon the distribution of information. Limiting speech, even through the use of compulsory labels, challenges the flow of that information, and is therefore a threat to the free exchange upon which the market relies. In the words of John Adams, to protect the political and economic institutions upon which a free society is based, "let every sluice of knowledge be opened and set a-flowing." Then we may all choose to take a drink. □

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Human "Imperfection" As A Market Strength

by Steven R. Cunningham

At a roundtable discussion among economists and officials from the United States and republics of the former Soviet Union, I was surprised to hear that there is a single discipline that is central to the ability of a market economy to generate its obvious benefits. Moreover, this discipline, and with it the value of the market system, is diminished when human imperfections are taken into account. Market economics, you see, is one of those many things that "works pretty well in theory, but suffers when the realities of life are factored in." Of course, nothing could be further from the truth.

Faced with the reluctance of some republics' representatives to make the full leap to market-based systems, some members of the panel offered a perverted "insight." They suggested that capitalism generates its enormous social benefits neither through its guarantees of private property, nor by its cultivation of personal initiative in response to personal incentives, nor by capital flowing freely to seek its highest return based upon market and social valuation. Capitalism's strength, they argued, is that it places enterprises on a profit-and-loss basis. Inefficient enterprises are unprofitable, and therefore cannot sustain themselves over the long run, go bankrupt, and are replaced by firms that are efficient. *This* is the market discipline. Even some Western market economists who should know better were nodding yes to this concept. People, they argued, can interfere with the efficiency of the theoretical market system by being slow to respond to market changes because they may misinterpret, misunderstand, or develop habits or loyalties that may make them slow to respond to product changes and allow inefficient firms to survive longer than they should. People always do seem to be a problem for social theories.

By focusing on profit and loss, the republics could maintain some of the "comfortable" elements of the old system. State ownership of the major enterprises would allow "us" to "protect" society from unfair income distribution and unbridled profit-seeking behavior. Placing the state-run enterprises on a profit-and-loss basis would mean that the state would not subsidize enterprises that could not sustain themselves by generating sufficient revenues to prevent losses and replace spent capital.

The Market and Human Nature

Such socialist rhetoric is seductive, but unconvincing. There is so much wrong with these arguments that one hardly knows where to begin in refuting them. The central fallacy is likely the regard of human beings and human nature as *negatives* in society and economy. The power of the market system is that it makes human diversity, human "imperfection," and human nature the central engines for personal freedom, individual progress, and the highest possible standard of living. Under capitalism the society is not corrupted or complicated by individuals, but rather *is* the individuals. It is not possible for individual differences to be an obstacle to the efficient operation of a market system; a market system demands and

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thrives on individuality. Human tendencies to form social bonds, to show reluctance to change, and to be vocal about changes in the economic world are not imperfections but rather strengths in a market system. It is not a weakness to show loyalty, to be considerate in making change, or to provide information to the social process.

In his 1970 book, *Exit, Voice, and Loyalty* (Harvard University Press), Albert O. Hirschman provides the basis for a powerful argument for the efficiency benefits that accrue to the society that encourages loyalties to producers and products, and voice in the face of change. Anyone who has ever worked with American customers in a retail setting, as a salesclerk at the local Sears or J. C. Penney Company, for example, can readily grasp Hirschman's insight. If product quality slips, or the product is not what the customer expected it to be, American customers do not silently switch brands. American customers take the product back, pound their fists on the counter, and demand satisfaction. They say things like, "I have been a customer of this firm for over 20 years and I expect better from you. Get your act together!" The fact that the customer comes back and continues to buy (at least for a while) after his or her disappointment—Hirschman calls *loyalty.* The customer's expressed outrage, he calls *voice.* To be sure, if the firm does not "get its act together" in short order, then the firm will experience the customer's *exit*—the customer will take his or her business to another firm.

Market Efficiency

The *loyalty-voice-exit* process is much more efficient than the simple *exit* process. Firms in the real world do not go into and out of business costlessly, and the collapse of a firm almost always involves personal tragedies. People suffer the psychological trauma of unemployment and the search costs of looking for a new job, and the standard of living declines for all. Loyalty and voice, human "imperfections" as they are, provide time and information to the market process. Loyalty and voice are the whips that crack over firms in a market economy.

The human "imperfection" of self-interest makes people, private property, unrestricted capital flows, and free exchange into a formula for economic efficiency, the highest possible standard of living, consumer sovereignty, and freedom for the members of a society.

Self-interest can only be sustained when the gains from production and trade fall to those who produced and traded. People are either allowed to enjoy the rewards of their achievements or they are not. If they are, then self-interest is served, and incentives are created. If they are not, then nothing drives the engine of the economy but the rule of the state. Only socialists find fault with individuality and so-called "imperfections" because humanity eventually, inexorably, opposes the centrally planned state.

Without people exchanging property in markets, you cannot have a market economy. You cannot trade what you do not own; without private property, individual self-interest has no vehicle for its expression. If property is not privately owned, then no one has an incentive to try to achieve the highest return by putting it to use in the way that society values most. Society provides this valuation constantly and with great *voice* through markets. It is a sham to claim that a nation is pursuing market economics when it prohibits private property. Capital, the means of production, is a kind of property. If individuals cannot own property, then the state owns the means of production, and it is a socialist state.

Somehow, most of the members of our roundtable discussion had forgotten these early lessons. Markets are not constructed, they arise spontaneously because of human needs and wants, as well as differences in talents, abilities, and perceptions. Markets are blind to the "imperfections" in people because markets, like societies, *are* those individuals. □

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National Health Insurance: A Medical Disaster

by Jarret B. Wollstein

Affordable health care has become one of the most important social issues of our time. Every news broadcast seems to have a special report on "America's health care crisis" or a politician demanding "universal health insurance." Evidence cited for the need for immediate and drastic government action includes:

High medical costs. The United States reportedly has the highest per capita medical expenditures of any country in the world. According to *Insight* magazine, U.S. citizens spent an average of $2,051 on health care in 1990, compared to $1,483 for Canadians and $1,093 for West Germans.

Rapid increase in medical expenditures. The average American now spends 11.1 percent of his income on medical care. If current trends continue, health care will consume over 17 percent of the Gross Domestic Product within 15 years.

High administrative costs. In the U.S., administrative costs consume nearly 12 percent of health dollars compared to one percent under Canada's socialized system. More than 1,100 different insurance forms are now in use in the United States.

Americans without insurance coverage. At any given time, over 13 percent of Americans have incomes that are too high to qualify for Medicare or Medicaid, but are too low to pay for medical insurance themselves.[1]

The free market in health care, we are told, has failed. The solution offered by a growing chorus of commentators and candidates is *universal, mandatory, national health insurance;* in other words, *socialized medicine.* Is socialized medicine the answer, or will it only make things worse?

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How Well Has Socialized Medicine Worked Elsewhere?

Most of the developed countries of the world presently have some form of socialized medicine. How well has it worked?

Great Britain. Great Britain adopted socialized medicine in 1948, with the creation of the National Health Service (NHS). The political rhetoric in Britain exhorting the adoption of nationalized health insurance is similar to what we are hearing in the U.S. today. In 1942, Prime Minister Winston Churchill declared:

> The discoveries of healing science must be the inheritance of all. . . . Disease must be attacked whether it occurs in the poorest or the richest man or woman, simply on the ground that it is the enemy. . . . Our policy is to create a national health service, in order to secure that everybody in the country, irrespective of means, age, sex, or occupation, shall have equal opportunities to benefit from the best and most up-to-date medical and allied services available.[2]

With the adoption of national health insurance, Labour Minister Dr. David Owen predicted, "We were going to finance everything, cure the nation and then spending would drop."[3] Unfortunately things didn't work out exactly as planned.

The first problem with Britain's National Health Service was skyrocketing demand. With health

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care paid for entirely by the government, there was no reason not to go to a doctor. Why take aspirin or wait out a cold, when professional medical care is free? As Michael Foot observed, within months "the demand [for health care] was exceeding anything [its creators] had dreamt of."[4] First-year operating costs of NHS were 52 million pounds higher than original estimates.[5]

NHS soon found itself in direct competition for funds with national defense, pensions, and all other governmental functions. Budget cuts for NHS quickly followed. British economists John and Sylvia Jewkes estimated that between 1950 and 1959 the United States spent six times more per capita on hospital construction than England.[6] As a result, there was a steady deterioration in the quality of British medical care.

By 1977, British general practitioners rarely had any medical instruments except for stethoscopes and blood-pressure meters. They had to send their patients to hospitals even for such routine procedures as X-rays and blood tests. The waiting time for routine, non-emergency surgery had increased to years.[7] By the mid-1970s, more than 700,000 English men, women, and children were on hospital waiting lists at any given time.[8] The average British doctor now has over 3,000 patients, compared to 500-600 for the average American doctor. NHS doctors spend an average of less than five minutes with their patients, who usually wait hours to see them.[9]

In 1975 Bernard Dixon, then editor of the British magazine *New Scientist*, provided this summary of the state of National Health Insurance:

> The plight of Britain's Health Service conflicts desperately with the avowedly utopian ideals of its founders. For most of us, it is only when we join a year-long hospital waiting list, or have to take an injured child to a hospital casualty department, that we realize just how threadbare and starved financially the service really is. Not only is there an acute shortage of resources, but the expertise and facilities that are available are all too often dispensed via a conveyer-belt system which can at times be positively inhuman.[10]

As a result of widespread public dissatisfaction, in 1989 the British government began dismantling its National Health Service, and reintroduced market-based health care competition.[11]

Canada. What of the Canadian National Health System, which many U.S. politicians are now championing as a less expensive and more efficient alternative to our supposed free market system?

Canada has had socialized medicine for 20 years, and the same pattern of deteriorating facilities, overburdened doctors, and long hospital waiting lists is clear. A quarter of a million Canadians (out of a population of only 26 million) are now on waiting lists for surgery.[12] The average waiting period for elective surgery is four years. Women wait up to five months for Pap smears and eight months for mammograms.[13] Since 1987, the entire country spent less money on hospital improvements than the city of Washington, D.C., which has a population of only 618,000.[14] As a result, sophisticated diagnostic equipment is scarce in Canada and growing scarcer. There are more MRIs (magnetic resonance imagers) in Washington State, which has a population of 4.6 million, than in all of Canada, which has a population of 26 million.[15]

In Canada, as in Britain under socialized medicine, patients are denied care, forced to cope with increasingly antiquated hospitals and equipment, and can die while waiting for treatment. Canada controls health care costs the same way Britain and Russia do: by denying modern treatment to the sick and letting the severely ill and old die.[16]

Despite standards far below those of the United States, when variables such as America's higher crime and teenage pregnancy rates are factored out, and when concealed government overhead costs are factored in, Canada spends as high a percentage of its GNP on health care as the United States.[17] Today a growing chorus of Canadians, including many former champions of socialized medicine, are calling for return to a market-based system.

The Worldwide Failure of Socialized Medicine

Throughout the world the story is the same: socialized medicine results in skyrocketing demand for nominally "free" health care, doctors are overburdened, medical services steadily deteriorate, and there are endless waiting lists for health care. In the Soviet Union before the collapse of Communism, anesthetics, painkillers, and most drugs were rationed; 57 percent of hospitals had no hot running water; and it was standard practice to clean needles with steel wool and reuse them.[18] In New

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Zealand, which has a population of just 3 million, there is a waiting list of 50,000 for surgery.[19]

Socialized medicine doesn't even fulfill its promise of equal access to treatment regardless of ability to pay. For example, in Canada "a small child with a skin rash is 22 times more likely to see a dermatologist if the child is living in Vancouver [a major city] than in the East Kootenay district [a remote rural area]." In Brazil, "residents of urban areas experience nine times more medical visits, 15 times more related services, 2.7 times more dental visits and 4.5 times more hospitalizations," than do rural dwellers.[20]

Throughout the world, there are more and more refugees from socialized medicine. Middle-class Canadians flock across the U.S. border to avoid waiting months or years for routine procedures. In England a system of private, quasi-legal clinics has developed to care for patients who can no longer tolerate the abysmal medical services provided by national health insurance. In Russia, desperate patients bribe doctors and secretly visit them after hours to get decent treatment and scarce drugs.

Socialized medicine, like all forms of socialism, has been a world-wide failure. As people throughout the world from the Soviet Union to South America are learning, socialism cannot work. Socialism is fundamentally incompatible with human nature.

Socialism fails because it denies and degrades our essential humanity by treating us as objects. Socialized medicine takes away our control over our own health and body, and gives that power to the state. Under a socialized medical system, the government, not you or your doctor, decides what treatments, doctors, and drugs you get. If you don't like the service the government gives you, your only alternative is to flee to another country or to break the law and bribe a doctor. Under socialized medicine, the exercise of free choice becomes a crime.

Even after it destroys quality health care and individual liberty, socialized medicine still cannot achieve equal treatment for all. When planners try to make all people equal, they confront the inescapable paradox of equality: Abolishing inequality requires massive government power. But power by its nature is unequal: there are those that have it and those that do not. Giving government the power to make everyone equal necessarily creates the worst form of inequality: that of master and subject. In practice under socialized medicine, those with more money and friends in the government get vastly better health care than those without power and connections.

Socialized medicine will not work any better in the United States than it has in England, Canada, Russia or elsewhere. Consider just the economics of socialized medicine in the U.S. Medicare and Medicaid costs are already skyrocketing out of control. State governments cannot afford the 20 percent of their budgets that Medicare and Medicaid now consume. Where will government get hundreds of billions of dollars more for national health insurance? A complete Canadian-style national health insurance system for the U.S. would initially cost over $339 billion and require that payroll taxes be nearly doubled, or require a new, national 10 percent business tax.[21]

Socialized medicine does not work, but has the free market failed as well? If freedom works, why is American health care now in crisis?

Government Intervention and Health Care Costs

The answer is that America does not have a free market in health care, and in fact has not had one for 50 years. What we have had is a half century of mounting government encroachment upon medical freedom, leading to more and more health care problems.

Over 42 percent of funds spent on American medical care are now controlled by government. Over 700 state laws, some hundreds of pages long, govern all health care providers and institutions.[22] According to some estimates, for every man-hour of health services provided by doctors, two hours are spent by clerks filling out government paperwork. Dr. Francis A. Davis estimated in the March 1991 issue of *Private Practice* that government regulations have already increased the cost of medical care by up to 50 percent!

Government regulations and controls now intrude upon virtually every area of health care in America. These regulations increase tremendously the cost of health care. Here are some examples:

The War on Drugs. U.S. federal drug certification requirements are the most burdensome in the world. It presently can cost $231 million and takes 12 years to develop, test, and certify a single new drug in the U.S.[23] The introduction of many drugs,

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which have been thoroughly studied and used safely in Europe, has been delayed for years or even decades in the U.S. by the Food and Drug Administration. FDA delays in the introduction of just one drug, the beta-blocker propranolol, used to treat angina and hypertension, caused at least 30,000 avoidable deaths in the U.S.[24]

Literally hundreds of thousands of Americans have died in the last two decades, and millions have suffered needless pain and expense, as a result of government drug regulations.[25] Further, the prohibition of marijuana, heroin, and cocaine has created a growing public health crisis in America.

Consider the medical implications of the government's ban on marijuana. On September 6, 1988, Drug Enforcement Administration (DEA) Administrative Law Judge Francis L. Young stated: "The evidence in this record clearly shows that marijuana has been accepted as capable of relieving the distress of great numbers of very ill people, and doing so with safety under medical supervision. It would be unreasonable, arbitrary and capricious for DEA to continue to stand between those sufferers and the benefits of this substance in light of the evidence in this record."[26]

Judge Young concluded that many classes of patients could potentially benefit from medicinal use of marijuana, including sufferers from glaucoma, chemotherapy, multiple-sclerosis, spasticity, and hyperparathyroidisim.[27] Glaucoma sufferers alone currently number over two million Americans. Despite this finding by the DEA's own administrative judge, marijuana continues to be totally banned for all uses, including medical applications. Indeed, penalties for possession and use of marijuana have steadily increased over the last 20 years.

Medicare, Medicaid, and Tax Policy. A growing chorus of politicians and social activists decry the "high cost" of medical care in the United States and the increasing percentage of our Gross Domestic Product that it consumes. What is seldom mentioned is that mounting health care spending and prices are largely a result of escalating demand, public policies, government health care entitlements, and tax policies.

Medicare and Medicaid, our major health care entitlements, were enacted in 1965. Closely allied with the Social Security system, Medicare provides health insurance for approximately 30 million Americans, primarily the elderly. Medicaid provides health care for tens of millions more of the disabled and indigent, and is administered by the states. In the last 25 years Medicare and Medicaid expenditures have soared: from less than $5 billion in 1967, to $79 billion in 1984, to over $160 billion in 1990.[28]

Prior to 1983, Medicaid used a "cost-plus" system for reimbursing medical providers. Doctors were allowed to base their billings upon the cost of the services they provided. Thus the higher a doctor's costs, the more a doctor would make. The cost-plus system made it in a doctor's self-interest to make his costs as high as possible, contributing to a rapid growth in health care costs.

Overall, the effect of Medicare, Medicaid, and other rapidly expanding government health care spending has been greatly to increase the demand for medical services and facilities of all types, which has led to rising health care prices.

Government tax policies are another major factor in escalating demand for and prices of medical services. When health insurance is provided as an employee benefit it is fully tax-deductible; in other words, it is paid for with pre-tax dollars. But when health care is paid for by employees directly, it is paid for with very expensive after-tax dollars, and is not fully tax-deductible. Hence there is an incentive for health care to be provided by employers in the form of insurance, rather than for employees to pay for health care directly out of their own pockets. Largely as a result of U.S. tax policies, "The share of health care spending paid by business increased from 17 percent in 1965 to 28 percent in 1987, while the share paid directly by individuals fell from almost 90 percent in 1930 to just 25 percent in 1987." [29]

The growing reliance of Americans upon insurers (public and private) to pay their medical bills has destroyed virtually all incentive for health care consumers to monitor and control costs. As Louise B. Russell noted in her 1977 Brookings Institution study:

> This incentive structure means that at the point at which decisions are made about the use of resources, the people who make those decisions are able to act as if the resources are free. Rationally they can and do make decisions that bring little or no benefit to the patient, since the resource costs of the decisions—to the people making them—are also little or nothing. . . . [T]here are virtually no economic constraints

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left to prevent decisionmakers in medical care from doing everything they can think of, no matter how small the benefits nor to whom they accrue.[30]

Medical Licensing. U.S. doctors are among the most regulated in the world. State medical boards, monopolized by American Medical Association members, license doctors, hospitals, and medical schools. The declared purpose of medical licensing is to assure quality health care. The actual effect has been to limit the number of doctors, increase the cost of health care, and promote medical practices favored by the AMA at the expense of less costly alternatives. Many alternative practitioners —such as osteopaths and chiropractors— were almost run out of business by AMA-dominated medical boards.

The AMA has opposed prevention and treatment alternatives that would greatly reduce medical costs, such as midwives, nurse-practitioners, and nutritional therapy. There is mounting scientific evidence that many suppressed alternative forms of treatment are not only less expensive, but are more effective than government-approved medicine. Alternative practitioners are often much more compassionate as well.

The AMA has used its monopoly to exclude women, blacks, and alternative practitioners from the medical profession. Artificially restricting the number of doctors makes health care much more expensive for everyone. As Dr. Mary Ruwart reports in *Healing Our World:*

> By the early 1900s, every state had agreed to the aggression of physician licensing. . . . One half of the existing medical schools were approved, so most of the others had to close their doors by 1920. By 1932, almost half the medical school applicants had to be turned away. . . .
>
> Licensing of physicians was largely a result of lobbying by the AMA. . . . Not surprisingly, the established practitioners suggest giving licenses to those already in practice, setting high standards for new entrants, and denying approval to practitioners who use different techniques from theirs. . . . In 1910, there were seven medical schools specializing in training black physicians. By 1944, only two had survived. Women were excluded from the medical profession in the same manner.
>
> In 1938, students of homeopathic, osteopathic, and chiropractic medical schools could no longer qualify for licensing as medical doctors. Hospitals or medical schools that dared to employ them risked losing their approved status. . . . Alternative practitioners were frequently denied other privileges as well. So blatant were these discriminatory practices that in 1987 the American Medical Association was found guilty under the antitrust laws of having "conspired to destroy the profession of chiropractic in the United States" by using the political power afforded them by licensing laws.[31]

Another tragic effect of medical licensing has been the disappearance of competent medical services from most poor communities, particularly rural ones. Thanks to government regulations and the litigation explosion, many rural communities and small towns now have no doctors at all.

Insurance Regulations. Insurance underwriters, like doctors and hospitals, are subject to hundreds of government-issued mandates. As a result they seldom pay for drugs or treatments which the government has not approved. Again, the effect is to make many safe and inexpensive forms of treatment unavailable to American citizens, while raising health care costs for everyone.

Other Factors. Government regulation is not the only factor in escalating U.S. health care costs. Other major factors include mounting social violence, which is overloading urban emergency rooms. Many hospitals are closing their ERs to avoid bankruptcy. The explosion of litigation against doctors and the willingness of juries to give multimillion dollar punitive damage awards have made $100,000-a-year malpractice premiums commonplace, and litigation is causing many doctors to abandon high-risk specialties such as pediatrics and obstetrics. Finally, the expense of coping with the AIDS epidemic and the medical needs of an aging populace have increased the demand for medical services and hence their cost. Some of these factors have been greatly aggravated by government policies. Others have little or nothing to do with government regulations. In either case, socialized medicine will do nothing to alleviate these problems.

Health Care Alternatives

Fortunately, socialism and inaction are not our only two options. We can make health care more

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affordable and more available while preserving quality and freedom of choice. Here are some positive steps we can take now:

Privatize Health Care. Medicare and Medicaid are imposing horrendous costs upon American taxpayers. There is no free lunch. When health care is "free" (i.e., indirectly financed by taxation), there is little incentive for either patients or doctors to minimize costs. Government-guaranteed medical services raise prices and costs, result in massive waste, and create a bureaucracy in a futile attempt to control costs.

Government should get out of the medical insurance business. We will get far better value for our health care dollars if we spend them directly ourselves.

Free Insurance Companies from Government Regulations. Government insurance mandates—specifying how insurance policies must be written, what illnesses may be covered, and what fees can be charged—put a straitjacket on health insurance providers and cost the U.S. economy over $60 billion a year. There are now over 700 mandates enforced by state governments. These mandates prohibit inexpensive policies with limited coverage—leaving 8.5 million Americans uninsured.[32]

Using medical insurance to pay for small claims is also highly inefficient. As Joseph Bast points out in *Why We Spend Too Much on Health Care*, "it costs as much as $50 to process a $50 claim," adding billions to medical costs.[33]

Insurance companies should be free to innovate and introduce new policies which meet the diverse needs of the American people. Relieved of the governmental regulations currently imposed on them, health care insurers could become leaders in cutting costs and creating inexpensive coverage for currently uninsured Americans. The single reform of ending all mandates would reduce health care insurance costs in the U.S. by 30 percent![34]

Deregulate Medical Research and Marketing. Burdensome government testing and certification requirements have added years of delay and billions of dollars in cost to the development and marketing of new drugs. Government has made it economically impossible for small pharmaceutical manufacturers to survive, or for any manufacturer to develop drugs for diseases that affect small population groups. Hundreds of thousands of lives have been needlessly lost as a result of delays and added costs imposed by government regulations. Drugs which could alleviate the suffering of millions are kept from the market because they don't meet the government's arbitrary standards.[35]

The decision whether or not to take a drug should be made by the patient and his doctor. In a deregulated market, misleading or dangerous claims would be minimized by natural market forces, including the threat of legal action by consumers. Unlike government regulatory agencies which are protected from lawsuits for their mistakes by sovereign immunity, non-governmental businesses are always subject to legal action.

Deregulating medical research and marketing would save tens of thousands of lives a year, make it economical to develop many new drugs, and drastically cut the cost of drugs for everyone.

End Medical Monopolies. The American Medical Association is a coercive monopoly which makes it difficult or impossible for alternative health care providers—such as nurse-practitioners, midwives, osteopaths, chiropractors, and nutritionists—to market their services. State medical licensing boards are composed virtually entirely of AMA-certified physicians and have created "medical standards" which make it impossible for medical schools to survive unless they adopt curricula approved by the AMA.

AMA-dominated, politicized state medical licensing ought to be abolished and replaced by independent certification of doctors. Consumers, not politicians or powerful groups of doctors, should decide which health care practitioners we can patronize.

End Drug Prohibition. Drug prohibition is a contributing factor to America's health care crisis. Legalizing drugs would eliminate many deaths from adulterated substances, permit addicts to seek treatment without fear of arrest, enable those suffering from glaucoma and cancer to use marijuana and cocaine therapeutically, and permit patients and doctors to use drugs now legally available in other countries. Ending the war on drugs would reduce health care expenditures in the United States.

A Warning

If you want to know how national health insurance would work in America, we have a model.

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For more than 60 years the Veterans Administration has been charged with handling the health needs of millions of disabled and discharged servicemen and women. With a fiscal 1990 budget of $30 billion, the VA runs America's largest health care system, including 172 hospitals, 233 outpatient clinics, and 122 nursing homes.[36]

Investigations of the VA have found abominable conditions: long waiting periods for surgery, filthy hospitals, severe shortages of staff and drugs, antiquated equipment, incompetent staff, indifferent and hostile administrators.[37] Here is just one example:

On January 15, 1992, CBS News reported that Walter Reed Army/Navy Medical Hospital had been refusing to provide amputees coming back from the Gulf War with artificial limbs. Other veterans were given shoddy prosthetics using antiquated technology. Compounding the tragedy, Walter Reed refused to accept donations of modern prosthetics offered by sympathetic Americans.

Commenting on why soliders were denied modern artificial limbs, a Medical Services colonel retorted, "I am not going to spend the taxpayers' money if you will just be sitting at home. Why should I spend $5,000 for something that you will just look on?" Commenting on the refusal of Walter Reed hospital to accept donations of modern limbs for veterans, the colonel stated, "We disapprove it because we are the primary health-care providers and we believe that we provide the best total care to the patient. And the patients belong to us."[38]

The most callous Soviet bureaucrat could hardly have been more arrogant. This incident gives us a glimpse of the future of health care in America—if national health insurance is enacted. □

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Two Kinds of Slums

by Gary North

Back in 1980 I was invited to lecture to a group of people on a cruise ship tour of the Caribbean. I got a free trip on The Love Bloat. Food, food, food!

I even got food for thought. Part of the trip involved a brief visit to Caracas, Venezuela. The ship had docked about an hour north of the city, and tour buses carried us to the capital.

On the outskirts of Caracas, along the side of a hill, there was a slum like no other I had ever seen before, or have ever seen since. As we sped past, we could see it in the distance, but a pair of binoculars brought it much closer. It was nothing but a mass of corrugated steel shacks crammed together.

Later, I read about these mountainside "towns." They have no plumbing. They are crowded with people who somehow get rides into the teeming and booming city miles away and far below. Serious diseases frequently spread through these little communities. I cannot imagine having to live in such conditions.

Someone on the bus said to no one in particular, "How incredibly ugly!" I thought about that statement for the rest of the drive into the city. I have thought about it from time to time ever since. Yes, that conglomeration of shacks was ugly. Aesthetically, it was an affront to our sensibilities.

Yet such ugliness is cause for rejoicing. It is the mark of freedom. When such ugly slums spring up, without any master plan, and without any government money, we know that free men are doing their best to find a better place to live, a better way to live. Most of all, we can be sure that they are making plans to get out.

Gary North is president of the Institute for Christian Economics.

Freedom Has Its Ugly Side

The well fed visitor from the United States thinks to himself, "What a terrible place to live." He can see how bad it is. He shudders at what he sees. But what about the places he cannot see? What about "the places back home" that every slum-dweller left, shaking the dust off his or her feet? The rustic, dirt-floor huts in some isolated village where there is no promise of a better life and no memory of one, either. The charming village graveyards that have so many graves for children under the age of five. The lovely streams in which there are insufficient fish to feed a growing population. The village square in which there are no newspapers reporting on urban blight because there is neither literacy nor electricity to print a newspaper.

People leave these quaint, rustic settings with all of their picture-postcard beauty, and they head for the city. They have been doing this in the West since about the 11th century. This flood of immigrants has increased exponentially since the late 18th century. They come without capital, urban skills, or education. They could go home, but few do. They prefer to live in corrugated steel shacks on the sides of mountains. Why?

To them, the ugliness of the slum is the beauty of freedom. The slum is suffused with hope. It is a

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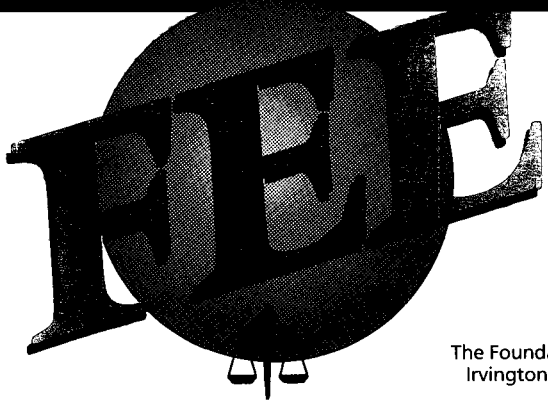

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October 1992

GOVERNMENT

No man has ever seen a government. Even legislators, regulators, and tax collectors who live in the midst of government have never seen it. Yet most people treat it as a concrete entity which has real individual existence. They petition it, beseech it, idolize it, pay homage to it, and bow down to it. Millions of Americans go on sightseeing trips and make pilgrimages to its marble structures and temples.

Actually, government is no deity, no refuge and strength worthy of our adoration. It is an organization of people who watch over and control the affairs of other people. It is legislators, regulators, tax collectors, judges, and policemen. Although they call themselves officers of the government, they are the government. They give the signals of what shall be done and preside over the doing of it. They inspect, direct, seize, censure, command, assess, license, authorize, endorse, admonish, prevent, and correct.

It is difficult to find a moral foundation for the authority of these people over their fellow men. Surely, they may render important services by protecting man's natural rights and guarding him against the wrongs of his fellow men.

But so do all other vocations and occupations; the producers of food, clothing, shelter, education, and transportation render highly beneficial services.

Throughout human history the protectors of society have used their power to become the aristocrats and oligarchs, the rulers and tyrants. In free societies, according to Thomas Jefferson, "it is jealousy, and not confidence, which prescribes limited constitutions, to bind down those whom we are obliged to trust with power!"

It is unlikely that Thomas Jefferson would call our society "free." The jealousy of the Founding Fathers has given way to an abiding faith in government passing out favors and largesse. Many legislators, regulators, and tax collectors now are preoccupied with benefits and entitlements, allotments and allocations, public works and personal perks. To them, all questions of state, all matters of right, merely are questions of power.

Political power always feeds on its spoils; it dies when its victims refuse to be despoiled.

Hans F. Sennholz

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AP/WIDE WORLD

place of temporary refuge. A better world lies ahead, down that mountain. Residents of a mountainside slum can see a better world, literally. And seeing it, they can begin to make plans for getting off the mountain forever.

The mountainside slum will remain, but most of its present residents will eventually move out. There are two ways to move out: forward or backward. They can move closer to the city or back to the village. Their continuing presence in the slum announces to the world: better to stay in a slum with their dreams than to return to a village defeated. Because freedom's slum offers people real hope of moving forward, they do not move back.

Housing in a slum is all that these newcomers can afford. The government could of course send the army up every mountainside to run the slum-dwellers out. The troops could destroy every shack. In America, this is called "urban renewal." In a place like Venezuela, it might be called "ecological renewal." The result is the same: homelessness. For the residents of the slums, slum-clearance could be called "hope removal."

Housing Without Hope

The government could build public housing for a few people. Not for everyone, but a few. We have seen the fate of such housing projects in the richest nation in history, the United States. Can most of us imagine living in the South Bronx in a housing project?

Housing without hope: this is the ultimate slum. It may (for a time) be freshly painted. It may (for a time) be clean. It may (for a time) be safe. But if it offers no way to get out, or worse, if it offers a government check to stay put, it offers no hope. And then the paint peels, the filth builds up, and the muggers arrive like locusts.

In New York City, you can see from the turnpikes the empty, burned-out housing projects as you drive by at high speed. (Careful: the next pothole may snap an axle.) Are those slums any less ugly than the mountainside slums of nations too poor to build public housing? More to the point, are they as useful for providing shelter to poor people?

In Venezuela, slum-dwelling families live in terrible conditions. But no one forces them to live there. No government subsidizes them to live there. They do not intend to live there forever. They make plans to get out; they test plans to get out; and eventually, most of them get out.

There are two kinds of slums. I don't want to live in either kind. But this I know: one kind is worse than another. The one to avoid is the one with the invisible sign over its entrance: "All hope abandon, ye who enter here." □

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Electability

by Donald G. Smith

I would like to be known as a former President who minded his own business.

—CALVIN COOLIDGE

My favorite President is Rutherford B. Hayes. Almost unknown by the American public, Hayes served one term (1877-1881) in which there were no wars, no scandals, no depressions or recessions, and no international crises. After that, he had the good grace to retire and go home. Hayes offered his country only one thing: competence. He was an unspectacular man who knew what he was doing and ran the country accordingly.

One need not dwell upon the fact that Hayes could not be elected today. It is such an obvious reality that there is no need to elaborate. Keeping Hayes in mind, however, we can deal with the popular notion that an officeholder has to *do* something; and to be elected he has to promise to *do* something. This is how we interpret leadership.

The "leader" we seek is a vigorous crusader who has a *program,* who wants to get the country, state, city, or precinct "moving" and exhorts us all to march with him/her into some nebulous brighter day where the sun always shines and we all feast on milk and honey.

Unfortunately this leaves us with a most perplexing paradox, which is the constant uncompromising battle between politics and economics. We live with an economic system that works best when left alone. It is a self-generating, energy-producing system that resists tampering and brings instant rewards when it is allowed to run free. In a socialistic system politics and economics are part of the same package and it is expected that every economic decision will be political as well. In the capitalistic system, the two are distant relatives, and the more distant they are, the better the economy works.

Yet a politician is expected to *do* something and this invariably means injecting himself into the system. Whether it be a Federal program to force employers to provide medical insurance or a local ordinance forbidding smoking in restaurants, the politician has to meddle in order to create and/or maintain the image of vigor and farsightedness that is so essential to election. In order to be elected, a politician has to offer a *program,* which is a course of action that will in some way impede the system and make it harder for both employers and employees to do their jobs. This is why we have hiring quotas, rent controls, seat belt laws, environmental impact reports, and restrictions on the sale of private property. It is why we have "Warning" labels on everything from cigarettes to suntan lotion and why, in some states, alcoholic beverages can only be served to people who are seated.

We live constantly with a conflict between politics and economics. The office seeker who might have the good sense to leave the system alone cannot say this to the electorate because he won't be perceived as a man with a *program.* There is no

Mr. Smith, a frequent contributor to The Freeman, *lives in Santa Maria, California .*

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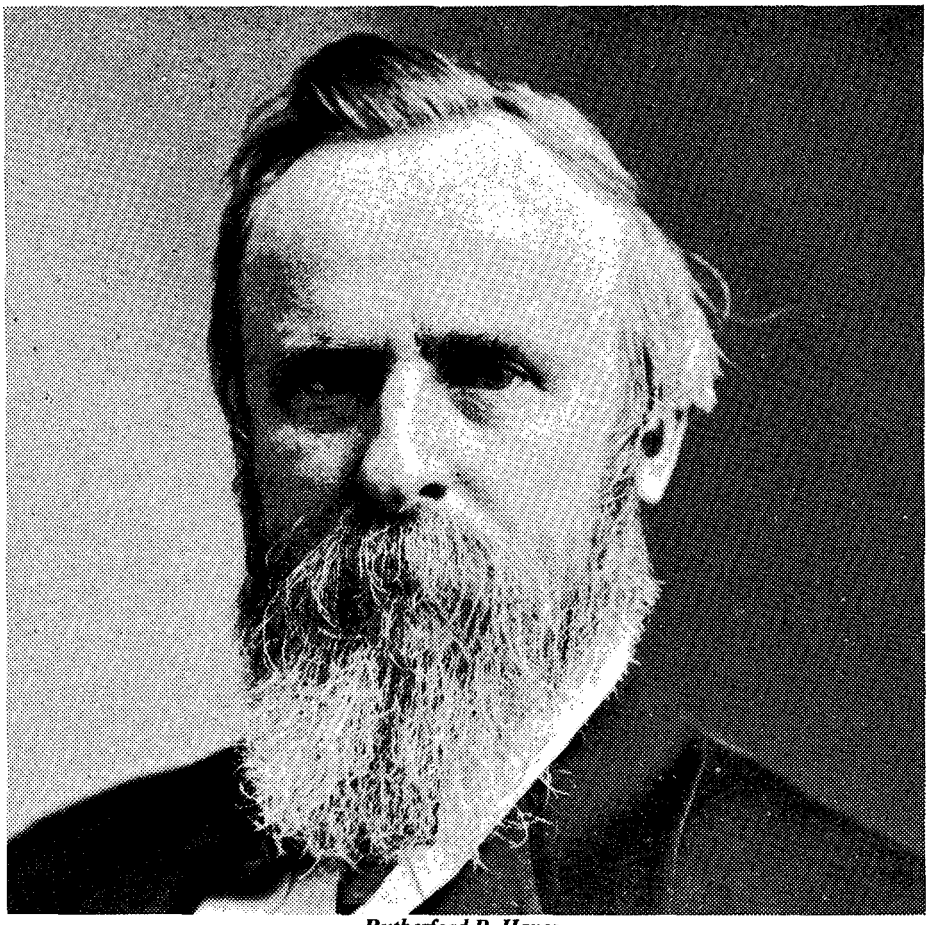

Rutherford B. Hayes

glamor, no pizzazz, in a campaign that is based upon administering the laws of the city, state, or federal government as efficiently as possible and letting the economic system run itself. This is obviously someone without a *vision,* someone who doesn't *care,* someone who might just run things with maximum efficiency and then quietly bow out. Who wants to put up with that kind of nonsense?

So we will continue, forever it seems, with the paradox involving electability and reality; what we are going to get and what we need. We will once more go to the polls and elect a small army of meddlers who want to "get things moving," when it is they, and others like them, who are the very reason that "things" aren't moving now. It is like pouring gasoline on a fire. With the capitalistic system, one does not "get it moving"; rather, one backs off and lets it move because this is what it wants to do anyway. It doesn't need a *program* and it doesn't need an egomaniac with a manicure and a $20 haircut to set it in motion. All that it asks is someone with the good sense to leave it alone and let it do what it does best.

Unfortunately there is no market for simple, unadorned competence in public life. This is why a latter day Rutherford B. Hayes could not be elected today, and why the original is all but forgotten. In today's political scene, ability is a hard sell at best, which leaves us with a paradox. The people whom we put in office to protect the economic system are those who will inflict the most damage on it. I just don't understand it. I don't think that President Hayes would have either. □

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Redlight for Greenways

by Jo Ann Frobouck

In the wake of a new environmental awareness, Americans are having a love affair with greenways—those long, skinny parks along roads, rivers, and trails, through urban and rural areas, which connect other park areas to form a continuous system with protected status and oftentimes, public access.

Greenways are generally perceived as a benign attempt to make the world a better, greener place. To greenway users, they provide an escape from hustle-bustle lifestyles. However, since greenways sometimes traverse private lands, to property owners concerned about their privacy and property rights, they are a threat. Hence, greenways can be controversial, particularly in rural areas.

Public land is appropriated for greenways fairly easily; private property is another matter. When greenway planners and reluctant landowners collide, the government invariably wins. Since unwilling participants cause "breaks" in the greenway line, the enabling legislation for National Scenic Trails authorizes the federal government to use the power of eminent domain to complete the trail corridor. The right of eminent domain—taking private property for public use—is a power of government. Although it is debatable whether greenways constitute a legitimate "public" use, given that a small segment of the population will probably use them, eminent domain proceedings must provide "due process of law" and "just compensation" when property rights are taken away.

Jo Ann Frobouck, former editor of Land Rights Letter, *lives in Sharpsburg, Maryland.*

When property is appropriated for "public use" (whether for public access or buffer zones to preserve views), landowners are forced to sell their land to the government at "fair market value," not for a highway or a utility, but for a hiking trail. In cases where a property owner is allowed to stay, the government can force public access via a public right-of-way easement or impose regulatory sanctions to eliminate uses seen as "incompatible" with scenic resources.

The Chesapeake and Ohio Canal National Historic Park, a man-made greenway that runs along the Potomac River from Washington, D.C., to Cumberland in western Maryland, has a long history of condemnation of private property. National Park Service acquisition records show that during the 1960s, '70s and '80s, the federal government invoked condemnation proceedings to acquire over 100 parcels of private land, scenic easements or public rights-of-way along the canal's corridor.

America's First National Scenic Trail

In 1968, Congress recognized the Appalachian Trail, a natural greenway that runs 2,140 miles from Maine to Georgia, as America's first National Scenic Trail and authorized Federal and state land acquisition to provide a permanent trail corridor.

Two years later, Clara Brown of Frederick, Maryland, received alarming news. Her neighbors along the Appalachian Trail were informed by reg-

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istered letter that their property was targeted for public takeover. It became apparent that the government, whose function is to protect the property rights of landowners, was instead intruding on those rights, forcing residents to assume the burden of protecting their property.

Mrs. Brown has been fighting for over 20 years against what she sees as the strong-arm tactics of Federal and state agencies trampling ownership rights so that urban hikers could have a "wilderness experience." Recognizing that a single owner has no chance of winning the battle against the government and preservationists, she organized landowners in Frederick County and nearby Washington County (also affected by the trail) to write protest letters to their Congressmen and attend public hearings to express their views. Despite their efforts, however, many residents lost their land to the trail.

David N. Startzell, executive director of the Appalachian Trail Conference, a private trail support group in Harpers Ferry, West Virginia, says that the "protection program" to implement "the realization of a great vision" involves more than 3,400 tracts of land, and condemnation has been used in "only five percent of the cases," and then usually "to establish the price to be paid." His figures, however, do not reflect the years of imposition and hardship on families who do not want to leave their homes, or on owners who are forced to accept public access easements allowing strangers to enter upon their "private" property.

In 1978 Congress saw fit to expand the Appalachian Trail's "remarkable and fragile environments" by authorizing a 1000-foot buffer of public jurisdiction along the trail to protect features adjacent to the trail and the viewshed (areas visible from the trail). Along the swath, the National Park Service and state natural resource departments are acquiring more private land in an attempt to eliminate "incompatible" evidences of civilization, such as homes and powerlines that "detract from the visitor experience."

Mrs. Brown has watched what began as a footpath grow into a project that has removed homeowners who are, she says, as native to the area as the flora and fauna around them. Now, two decades later, Mrs. Brown concludes, "We have managed to exercise some control [over government plans] by group action and constant vigilance." She feels that if the landowners hadn't fought back, many more would be gone.

Last year, Maryland's Department of Natural Resources released a plan to relocate a mile stretch of the Appalachian Trail some 1,000 feet farther east to an area of fewer homes and other visual "intrusions." (Other portions of the trail in other states are being re-routed as well.) That plan has raised the ire of local residents along the proposed route who say a relocated trail would affect *their* sense of isolation. They do not want the hikers to disturb their peace and tranquility, the reason why they chose to live there. The exact corridor of the re-routed trail has not yet been determined, but when it is, more landowners could lose their homes and land through eminent domain.

Lauri and Danny Yonker own three acres in Smithsburg, Maryland, a portion of which lies in the new trail's projected corridor. Mr. Yonker runs his business at home where he welds and fabricates tools and dairy systems. According to the preliminary design for the re-routed trail, the Yonkers would lose half of their land. They worry that county officials might shut the business down because the reduced acreage would violate existing zoning standards.

The dilemma that the Yonkers are experiencing is typical of the abuses of greenway projects. Government officials hassle landowners by requiring bureaucratic permission for such activities as landscaping or erecting a new outbuilding, sometimes even to the extent of approving what color one may paint his house. Such tedious demands can result in a landowner begging to be bought out, at which point the government merely has to name its price.

Lauri Yonker says their conservation zoning won't allow them to develop their land any more than it already is and feels that the state just wants to make it difficult for them to stay. She is also concerned that officials have begun to refer to their area, which is surrounded by four different state parks, as the "South Mountain State Park," when there is no such park. She fears there are plans afoot to combine the state parks (that have been temporarily closed due to budget shortages) into one vast area so the state can get control over the small pockets of land still in private ownership.

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Trail Access Debates

Debates over public access to trail, can get bitter. In *The Washington Post*, Eric Seaborg, a member of the Discovery Trail mapping team, related an unpleasant encounter with a local farmer in southern Illinois while trekking cross-country with his two teammates to lay out the trail corridor.

Following a lonely dirt road, shown on a U.S. Forest Service map to have a public right-of-way, Seaborg and another team member came to a point where the road was closed. They suddenly found themselves, with night coming on, separated from the third team member and confronted by a pack of unfriendly, barking dogs. The farmer, brought out of the house by all the commotion, found the two strangers in his barn. He was concerned that the U.S. Forest Service had told them they could use his road, which he claimed had no right-of-way easement. After making it clear he wanted no part of the trail project, he asked them to leave.

As the farmer headed back to put up the dogs, he warned the intruders: "This is rattlesnake country—there've been two killed already this year" on the same road the two had to take back to the trailhead. The farmer drove away without offering them a ride out.

The U.S. Forest Service claims it owns a public right-of-way through the farmer's land. The farmer, who disputes the right-of-way, has closed off the road. Meanwhile, the U.S. Forest Service continues to show the road (with public access) on its map, but claims it does not have the financial means to back up its contention with legal action. If Congress authorizes an American Discovery Trail (a proposed 5,500-mile hiking trail running east-west from Delaware to California), the farmer will be forced to defend his property against the government's claim—or give in.

Greenways Tend to "Grow"

The perennial problem with government supported greenways is that they tend to "grow." Like the Appalachian Trail, what starts as a simple footpath soon invades private property, "needs" Federal protection, and then a buffer to protect the features adjacent to the trail. These features can include watersheds, woodlands, wildlife habitats, historic sites, and a host of other natural and cultural resources.

The trail's conceptual beginning was an omen to rural property owners of the real agenda of trail planners. In 1921, before the trail was established, conservationist Benton McKaye wrote an essay for the American Institute of Architects entitled *An Appalachian Trail, an Experiment in Regional Planning.* McKaye's writings showed a comprehensive plan where the trail would serve as a starting point for wider land use planning efforts aimed at controlling rural growth and development.

Viewed in this light, it is apparent that the trail is not the simple footpath greenway planners would have us believe. Clearly, its protective covenants, ostensibly to provide a "wilderness experience" for recreationists, also serve to control "unwanted" growth in the outlying countryside to the detriment of the rights of private property owners along the route.

The unsettling part for rural landowners is the planned national network of greenways. In a July 1991 letter to her colleagues to enlist support for the Discovery Trail, Representive Beverly Byron reiterated the commitment that emerged from President Reagan's Commission on American Outdoors: "The American Discovery Trail will become the backbone of a growing national trails system, a system with the long-term goal of putting every American within 15 minutes of a trail." Considering that 80 percent of the population lives in urban areas with no resource connection, trail advocates should have little problem finding political support for greenways.

Lookout, rural America, greenways are more than a recreational footpath. They are a way to disenfranchise landowners and to control human activity politically to preserve aesthetic landscapes. Greenways quietly attack not only our property rights, but also our privacy and our political freedom—the values Americans hold most dear. □

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Can Private Schools Survive "Privatization"?

by Saralee Rhoads

Long years of abuse have eroded the foundations of free enterprise so long cherished as the American experience, and *America 2000: An Education Strategy*, a report released last year by the U.S. Department of Education, bodes ill for an already weakened private sector. Most tragic of all has been the diminishing understanding of the free enterprise system by a citizenry once attuned to its pulse and dedicated to its health.

Nowhere is this fact more obvious than in the field of education. Studies purport to show that literacy in colonial America, at least on the Eastern seaboard, was nearly total. Educated at home and in private schools, many a farmer read Greek, and frontiersmen recited the poetry of Ovid and Donne. Thomas Paine's *Common Sense* "sold 600,000 copies to a population of 2,500,000, twenty percent of which was slave and another fifty percent indentured."[1] Most important of all, everyone read the Bible. Two hundred years later 19 *million* adults are labeled functionally illiterate.[2]

The national Committee on Excellence in Education's 1983 report, *A Nation at Risk,* included this assessment of American government education: "If an unfriendly foreign power had attempted to impose on America the mediocre educational performance that exists today, we might well have viewed it as an act of war. As it stands, we have allowed this to happen to ourselves."[3] Since 1983 the response to this report has been so muddied by emotion, illogical rhetoric, and a confusion of terms that many conservatives and clerics—mainstays of private education—are now improbable allies with the providers of government schooling in a whole new debate on "choice" in education.

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An Historical Perspective

Dialogue is dependent upon communication. Everyone is talking, yet the free flow of ideas has been curtailed by doublespeak. "Privatization" and "choice" take on whole new meanings from one context to another. The resultant confusion divides the proponents of private education, setting the nation adrift in uncharted waters.

To appreciate the current dilemma we must look at word origins and their meanings. "*Free enterprise* means that the government leaves individuals *free* to own businesses and make a living dependent on their own *enterprise* (initiative)."[4] Such a succinct definition deserves amplification. *Private* enterprise is privately owned, privately administered, privately regulated. With the introduction of public funds (ownership), publicly certified workers (administration), and governmental rules (regulation), private enterprise ceases to be private. "Privatization" of "public" education is, by definition, the coupling of two mutually exclusive terms. The best example of loss of private control through governmental infusion of public funds is in education.

Government schools are but one facet of the largest bureaucracy in the nation today. The government is the largest provider of education in the country. It sets the standards for certification of

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teachers, regulates teacher education, its think tanks and programs and agencies influence textbook production, and each generation graduates as creatures of public educational philosophy.

The process is accelerated by the influence of the National Education Association in politicizing teachers and maintaining a national legislative agenda. At first the NEA exerted influence, but now the policy-setting potential opens a whole new realm of control.

Horace Greeley and later James Coleman established a direct correlation between the results obtained when the educational services were *privately* provided as opposed to public education. Reduced class size, intensive emphasis on values, and "bright flight" notwithstanding, all private school students outscored their public school counterparts on standard achievement tests.[5] In contrast, as Federal outlays for elementary, secondary, and vocational education increased by $20 billion from 1966-1975, SAT scores dropped approximately 70 points.[6] In 1959-60 public education consumed $375 per pupil: in 1967 it consumed $3,977.[7]

Despite extensive efforts to improve public education and rapidly increasing expenditures, the downward trend continues. A *Washington Post* editorialist indicted experts, parents, and students alike when 1989 SATs dropped yet again: "What jolted me about the scores is the dismal fact that they are averages. It's bracing to bear in mind that many of the kids scored higher than 476 or 424, but it's stupefying to realize that many scored lower—down in the semiliterate 300s."[8] Each year brings notice of a further decline. Indeed, 1990 SAT scores averaged fifty points below scores of college-bound seniors twenty years earlier. President Bush, in speaking to students and faculty at the Lewiston Comprehensive High School on September 3, 1991, remarked, "Every day brings new evidence of crisis. Last week, we learned that SAT scores have fallen again. Scores on the verbal SAT have tumbled to the lowest level ever. And these numbers tell us: our schools are in trouble."[9]

Understanding *America 2000*

The President's comprehensive package to remedy our nation's educational woes includes six vital points:

"1. All children in America will start school ready to learn.

"2. The high school graduation rate will increase to at least 90 percent.

"3. American students will leave grades four, eight, and twelve having demonstrated competency in challenging subject matter . . . .

"4. U.S. students will be first in the world in science and mathematics achievement.

"5. Every adult American will be literate and will possess the knowledge and skills necessary to compete in a global economy . . . .

"6. Every school in America will be free of drugs and violence and will offer a disciplined environment conducive to learning."

Federal involvement will include a 15-point accountability package, Congressional scholarships, state and local incentives to programs of "choice," Federal seed money for establishment of Governors' Academies for School Leaders and Teachers, and grants for development of alternative teacher certification programs. Development of a new (voluntary) nationwide examination system in conjunction with the National Education Goals Panel, with incentives to encourage colleges and employers to consider test results in accepting applicants is one large part of the overall package. More than 535 schools are targeted for lavish outlays of Federal grants and electronic networks to coordinate programs nationally. Some may be schools designated for change within a particular district, others may be private schools applying for Federal seed money, already qualifying for Federal assistance through maintenance of current regulatory standards. As of March 1992, almost 700 teams nationwide have applied for existing funds, representing school districts, businesses, associations, colleges, and think tanks.[10] Initial projections estimated costs of $690 million, not counting programs administered under the departments of Labor, Health and Human Services, and Housing and Urban Development.[11] The President's Fiscal Year 1993 budget request includes an additional half billion dollars for grants to states and communities developing "opportunity scholarships." Disturbingly absent from the discussion is the concept of equity, as outlays of Federal funds are channeled into a small number of model schools, leaving extensive portions of the population with no substantial help at all. How much money will actually be funneled into education? No one knows.

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The injection of more Federal monies into government schools is widely accepted, but none of these costly programs, even with private money injected, will make public schools private. The same red tape, the same teachers, the same school boards still control outcomes. Each will still be a public school.

Less widely accepted has been the concept of publicizing the private sector, though now it is presented more attractively by calling it "privatizing the public sector." Yet the result is the same. Instead of making public schools private, all private schools become public. Lamar Alexander, Secretary of Education, asserted, "The definition of 'public school' should be broadened to include any school that serves the public and is held accountable by a public authority."[12] Public education may be minimally improved through innovative programs, but private education will be drastically downgraded to equalize opportunities. A broad range of proposals is being suggested to remedy the disparity between public and private education, but basic to each type of funding is the direct or indirect infusion of government money into private education, with the result of making all schools public schools.

Efforts to ameliorate the dismal state of public education have created a loose coalition of strange bedfellows. Proponents of change call it "privatization of public education" or "choice in education." The multiplicity of proposals and terms employed, however, blur distinctions between public education and private enterprise.

Four types of options exist. Two "choice" programs target government schools only, but critics advocating social change predict their impact alone insufficient to produce any real improvement.[13] The other two types of programs serve to "publicize" the private sector. A description of all four illustrates the difference between restructuring public schools versus publicizing the private sector.

Intra-district options introduced in Massachusetts, Idaho, and Michigan allowed open enrollments among public schools within a single district. These represent public school "choice" programs.

Inter-district options have proliferated in metropolitan areas across the nation. Typical are magnet programs in which youngsters from various districts have the option of transferring to a specialty school in another district, the shift of

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funding handled through the administrative shuffle of paperwork. Broader in scope, this is the second type of public school "choice" program.

Voucher options seem clear cut, but in 1991 27 different voucher proposals were introduced in 14 states. In Milwaukee the plan excluded religious schools, offering $2,500 to the private non-sectarian school chosen by parents with a low-income status. In Pennsylvania, on the other hand, $900 vouchers were available to religious schools as well. With vouchers, taxes are directly funneled to the schools.

Negative tax credits were instituted in Epson, New Hampshire, where parents paid for a child's tuition at the school of choice, and then received tax credit for sending the child to a school outside his residential district.

Each instance of government funds supporting private education illustrates a clear case of political intrusion into the free enterprise system. Ownership transfers out of private hands into the government's broad grasp. No matter how broadly or narrowly conceived the program, whether government money extends into sectarian or non-sectarian schools, whether home schools are included or not, each opens the door to governmental control of the private sector. Initial provisions may safeguard curriculum, school administration, and specify governmental noninterference, yet Federal anti-discrimination requirements resulting in civil rights litigation and First Amendment challenges illustrate the fallacy of misplaced trust—there are no guarantees, no safeguards.[14] Statutory requirements for providing transportation, establishing racial balance, providing school-performance data and audit data led one author to conclude: "An education system organized as a public utility might better serve all these interests."[15] Well-intentioned efforts to introduce competition and open doors of choice spell the demise of free enterprise in private education with the introduction of government ownership, and thus the inevitable control of the private sector.

Controlling the Purse Strings

The Department of Education (employing 4,737 workers) currently comprises four main agencies, eight offices with assistant secretaries and ten regional offices (staffed by an additional 4,655).[16] It requires the oversight of nine Congressional committees and is audited by the GAO.[17] The additional numbers employed in administering programs and grants nationwide are unknown.

Its budgetary allocations are enmeshed in a web of inter-related categories administered through the Department of Education, the Department of Housing and Urban Development, and the Federal Emergency Management Agency, Disaster Relief Account. Analysis of the many accounts resembles a juggling routine as slotted funds are sprinkled into the various sub-categories. For example, $632 million is allocated for the establishment of drug-free schools. The School Improvement Program is but one of 14 sub-headings under elementary and secondary education. It specifically lists drug-free schools, yet its line-item expenditures account for only one one-thousandth of that total. More than $631 million remains unspecified in other programs or summary budgets, therefore without accountability.[18]

Elementary and secondary education is targeted for various other program allotments: the proposed Educational Excellence Act, $690 million; Certificate Support Fund, $200 million; Compensatory Education, $6.2 billion; Educational Block Grants, $449 million; Math and Science State Grants, $242 million; Drug Free Schools, $632 million; Disabilities, $2.7 billion; and Vocational Education, $1 billion. Additional Federal capital outlays for education and training total $35.1 billion.[19] Bearing in mind that current Federal funding for education represents only seven percent of all education expenditures,[20] one can only surmise the extent to which this chain of bureaucratic employment could expand if the broad-reaching reforms proposed are actually realized and placed within the purview of Federal regulation. As funds trickle down to state and local programs, what percentage actually benefits the individual child, even indirectly?

By virtue of the fact that all government funding is regulated, its recipients accountable to 435 representatives, 100 senators, and millions of taxpayers, private, autonomous control of government subsidies is a misnomer. Not only is all public money subject to intense scrutiny, its expenditure is subject to the whim of men and women who reside on Capitol Hill, who have interests in satisfying constituents and special interests (not the least of which is the NEA), each crying for expanded ser-

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vices. Control of the purse strings limits freedom. The very underpinnings of successful private education are incompatible with the required accountability (control) of government funding.

The Death Knell of All Education

Four steps, in relatively short order, will make all education—public and private—extinct once government funding becomes a widespread reality. First, private schools will become dependent on this new source of money, and in time, unable to exist without it. Expanded services, payments for renovations and building additions, accommodation to government regulations, and the free flow of cash makes it inevitable. Second, private schools electing to safeguard their freedoms, not taking advantage of "free" government money, will not be able to compete. Higher rates of tuition will ultimately close their doors. Third, when the only schools left are government schools, is there any assurance that the quality of public schooling will not precipitously decline as it has before? The resultant government monopoly will preclude any form of competitive standards. Finally, costs will skyrocket as offices are set up nationwide to monitor the expenditure of government funds, protect students from exploitation, and expand services as further "needs" arise. Eventually the aim will be the maintenance of programs, not the education of children. Compliance with government policy and maintenance of the status quo will assume greater and greater importance as more workers become dependent on government-subsidized salaries.

Nowhere will this be felt more deeply than in the private sector. Mollified consumers of public education will know no difference. Their watered down education has satisfied them for years; but there will be a remnant, perhaps educated in private institutions or home schools themselves, who will faintly remember a time when education meant a search for truth. A remnant will find dusty books packed in the attic, brush off the cobwebs, and rediscover the principles of private enterprise upon which our nation was established. Then will begin the second American revolution, as our children's children again fight for the freedom we once held dear. □

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IDEAS ON LIBERTY

Educational Vouchers: The Double Tax

THOSE WHO truly want independent schools and are willing to pay for them must not seek after vouchers, for vouchers are the very seal of doom for the independent school system. Pseudo-market schemes generally lead to anti-market results.

—GARY NORTH

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BOOKS

THE RIGHTS RETAINED BY THE PEOPLE: THE HISTORY AND MEANING OF THE NINTH AMENDMENT
edited by Randy E. Barnett
George Mason University Press, Fairfax, Virginia • 416 pages • $39.95 cloth, $16.95 paper

Reviewed by James A. Woehlke

This book should open the door to a serious, intellectually sound approach to the Constitutional protection of human rights—including property rights. The book contains historical background and analysis by legal scholars concerning the Ninth Amendment to the Constitution.

The advancement of human rights in the legal arena has been inconsistent under the U.S. Constitution. Political rights fare well. Other rights listed—or enumerated—in the Constitution also are relatively well protected. With the notable exception of the right to privacy, however, courts have proven less interested in unenumerated human rights. These include economic rights such as the right to work for a wage less than the statutory minimum, the right to work if younger than a certain minimum age, and property rights.

The Rights Retained by the People helps us better understand why and how this disparity in the protection of human rights has occurred. It also provides an underpinning to reform Constitutional interpretation and better protect *all* human rights by giving proper emphasis to the Constitution's Ninth Amendment.

The Ninth Amendment states: "The enumeration in the Constitution of certain rights shall not be construed to deny or disparage others retained by the people." During the first 175 years of its history, this Amendment was cited in a total of nine court cases. Some Constitutional scholars began to call it the "Forgotten Amendment."

Then in 1965 the U.S. Supreme Court decided *Griswold* v. *Connecticut.* This case declared unconstitutional a Connecticut statute which made it a crime both for a married couple to use contraceptives and a physician to counsel their use. The concurring opinion of Justice Goldberg in *Griswold* cited the Ninth Amendment as support to declare the statute unconstitutional. Since 1965, the Ninth Amendment has been cited in over a thousand cases.

The Amendment's origin is fascinating history. James Madison proposed the Amendment to counter the Federalist arguments that a bill of rights was unnecessary or even unwise. The Federalists argued that the government created by the Constitution was permitted to exercise only those powers specifically granted to it in the Constitution. The governmental structure itself with its checks and balances would be the best protection for individual rights. Besides, the Federalist argument continued, a bill of rights might even be dangerous because a list of some protected rights might be interpreted to mean that all unlisted—or unenumerated—rights were unprotected.

Despite the Federalists' arguments, several state ratifying conventions were so distrustful of centralized power that they made their ratification of the Constitution contingent on the approval of a bill of rights. As one of its earliest achievements, the first Congress approved twelve amendments to satisfy the contingencies set up by the state conventions. Only ten of the twelve survived the ratification process. (An eleventh, pertaining to the ability of Congress to give itself raises just recently received the necessary number of state ratifications and has become our Twenty-Seventh Amendment.)

The Ninth Amendment is an open-ended provision. The Constitution contains other open-ended provisions such as the "necessary and proper" clause in Article 1, Section 8 and the "due process" clauses in the Fifth and Fourteenth Amendments. Typically, courts have been skittish when called upon to use open-ended provisions to overturn the acts of the Federal and state legislatures.

Because interpretation of the Ninth Amendment proved very difficult, it was largely ignored. Courts were generally concerned that using the Ninth Amendment to strike down statutes would be tantamount to usurpation of the legislature's role.

Professor Barnett has brought together in this volume the most important literature on the Ninth Amendment and in the process added significantly to the interpretive theories with his own well-reasoned contribution. The collection is a valuable

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primer on the Ninth Amendment that should be essential reading for lawyers, constitutional history buffs, and students of liberty.

Randy Barnett's introduction begins by exploring two legal philosophies of Constitutional rights: the rights-powers conception—the currently dominant approach—and the power-constraint conception. Using the rights-powers conception, rights are found to exist only where the appropriate powers of government leave off. The power-constraint conception, on the other hand, views rights as one of the two methods used in the Constitution to limit the powers of government, the other method being the document's structural safeguards.

After explaining the error in the rights-powers conception, Professor Barnett explores three practical approaches to the Ninth Amendment and rights theory to fulfill the role they were given by the Founding Fathers.

The crucial question faced by each of the authors in this volume is: Precisely which rights are retained by the people and merit protection by the Federal courts? The answers vary. Bennett Patterson would allow Ninth Amendment interpretation to be an extremely dynamic force in protecting individual rights. Patterson believes our perception of rights to be constantly evolving. Accordingly, the rights retained by the people are forever being refined and distilled. The Ninth Amendment is necessary protection for these newly evolved rights. The Founders had no way to describe rights which they were incapable of recognizing but which they somehow instinctively knew existed.

Berger is greatly concerned with the effect of a dynamic Ninth Amendment on the separation of powers. As a result, his analysis is largely pragmatic. If courts could use the Ninth Amendment to enforce anything that suited their current whim, they would be usurping the role of the legislature and violate the Constitutional separation of powers.

Several other authors would answer this argument by formalizing in some fashion the process of judicial interpretation. If the courts stayed within the formalized interpretative framework, they would be constrained from usurping the proper role of the legislature.

Russell Caplan would impose a severe restraint on courts interpreting the Amendment. Caplan would allow the courts to use the Ninth Amendment to protect only those rights which were recognized by the various states at the time of ratification. This interpretation would keep the Amendment from being a dynamic element of constitutional interpretation such as the other open-ended provisions included in the Constitution. Caplan's argument is based on his historical study of the Amendment.

Mindful of Berger's concerns, Calvin Massey would impose a four-part test on the courts before a right could be enforced to overturn legislation. First, the court must find some textual foundation in the Constitution "however implicit or attenuated." Second, the right should have some historical roots in the laws of the nation, the states, colonies, or the common law. Third, the right should be consistent with theories of natural law. Finally, the right should be broadly recognized by contemporary society as "inextricably connected with the inherent dignity of the individual." Massey's four-part interpretative analysis would result in a dynamic Ninth Amendment.

The Rights Retained by the People is in certain parts not an easy book to read. It is, however, a fascinating read for the history it contains, the lively debate it charts, and the important conclusions some of its authors reach. □

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HEAD TO HEAD: THE COMING ECONOMIC BATTLE AMONG JAPAN, EUROPE AND AMERICA

by Lester Thurow

William Morrow and Company, Inc., 1350 Avenue of the Americas, New York, NY 10019 • 1992 • 336 pages • $25.00 cloth

Reviewed by William H. Peterson

1980, 1984, 1988, 1992. Right on schedule, industrial policy arises from the grave as a specter haunting the election. In April, for example, *The New York Times Magazine* published "Facing Up To Industrial Policy" by liberal syndicated economist Robert Kuttner.

Mr. Kuttner takes the Reagan and Bush Admin-

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istrations to task for supposedly avoiding industrial policy and relying on free markets. (Would that were the case!) With a swipe at Adam Smith, he writes that in the 1980s and early '90s Smith's "invisible hand acted more like a sleight of hand, and major American industries began to crumble under an onslaught of cheap, high-quality imports." He quotes, approvingly, the statement by onetime presidential candidate Paul Tsongas that Adam Smith is woefully out-of-date: "Adam Smith was a marvelous man, but he wouldn't know a superconductor or memory chip if he tripped over one."

Now comes Lester Thurow with yet another plug for industrial policy and still one more swipe at Adam Smith. Commenting on America during the Reagan and Bush administrations in his latest and well-written, scholarly looking work teeming with 487 citations, Dr. Thurow, Dean of MIT's Sloan School of Management and author of such previous plugs for industrial policy as *The Zero-Sum Solution,* writes: "Too often, Adam Smith's 'invisible hand' became the hand of a pickpocket. Free unfettered markets had a habit of discovering very profitable but nonproductive activities."

To buttress his case against laissez faire policies, so clearly predatory in nature, Dean Thurow holds that unfettered capitalism betrays its tendency to drift into either monopoly or financial instability. For proof he points to the Dutch tulip mania, the South Sea Bubble, numerous nineteenth-century financial panics, the "robber barons" of yesteryear (neatly done in by the farsighted Sherman Antitrust Act of 1890), the 1929 stock market crash and ensuing Great Depression (brilliantly fixed up by the New Deal!).

No proof is provided for all these bald assertions and misperceptions. Monopoly is confused with bigness and fewness and is unrelated to freedom of entry. No allowance is made for the burden of heavy American government overhead including regulatory costs and the cost of defending Japan and Germany for almost five decades. Austrian or public choice business cycle theory and central bank proclivities toward credit expansion and debt monetization are ignored. Indeed, the entire counterproductive boomerang effect of government interventionism, such as government bank deposit insurance leading straight to the S & L crisis, gets short shrift. This is Lester Thurow's article of faith: The state is our planner; we shall not want.

Thurow warns us: Our choice today is between producer economics (good) and consumer economics (bad), between communitarian capitalism (good) and individualistic capitalism (bad), between Germany's "Das Volk" and Japan's "Japan Inc." (good) and the narrow-minded "I" of America (doubly bad). As humorist Dave Barry would say, I'm not making this up.

All this raises the question: Just what is industrial policy? It is of course today's euphemism for government planning, i.e., more precisely, for what the French call indicative planning or *dirigisme*, for what I call soft socialism. Dean Thurow argues we must mount "an aggressive American effort" to counter Japanese and German national strategies "with American strategies" [read *planning*]. By design these strategies, while ill-defined here and subject to administrative change, would arm government bureaucrats with coercive powers and subvert shareholder and entrepreneurial rights. So goodbye to entrepreneurial insights and breakthroughs. Thurow, mesmerized by supposed Japanese and German planning proficiency, believes that Americans must fight fire with fire!

Instead of seeing government as the cause of our economic ills today, Dean Thurow blithely jettisons supposedly planless entrepreneurial capitalism, our great comparative advantage in international competition, and pleads for still greater government intervention in the economy. He excoriates takeover battles and corporate raiders, the "financial Vikings." He would have shareholders hold their stock for five years before they qualify for full voting rights. Government and selected industrialists or their minions, fortified with joint government and corporate funding, would pick—i.e., subsidize—the "winners" in the global competition of tomorrow.

He thereby fails to see the fallacy of plan versus no plan, to see what Mises and Hayek long ago pointed out. Free markets mean decentralized planning by many persons—private uncoerced planning that, thanks to the price system and economic calculation, works for economic growth and human betterment the world over, wherever it is tried.

Despite vaunted German proficiency, *The New York Times* of May 26, 1992, reports that West

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German manufacturers are increasingly setting up new production plants abroad and that their location of choice is the United States. German executives complain about being saddled with "some uniquely national disadvantages, such as the world's highest rate of corporate taxation and the highest industrial labor costs." Thus does South Carolina land a new BMW assembly plant.

This lesson, the lessons of the demise of Eurocommunism, of what made America great in the first place, is lost on Lester Thurow. He forgets that subsidies and state planning deplete savings and tax capital markets; that as planners distort our free market system in myriad ways, government-administered prices don't clear the market and economies stall. His scheme, moreover, undermines individual liberty. Commenting on the Thatcher and Reagan administrations, he proclaims: "Empirical experimentation revealed that a return to ancient Anglo-Saxon virtues is not the answer."

Head to Head is at once bad politics and sorry economics. □

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CAPITAL FOR PROFIT: THE TRIUMPH OF RICARDIAN POLITICAL ECONOMY OVER MARX AND THE NEOCLASSICAL
by Paul Fabra

Rowman & Littlefield Publishers, Inc., 8705 Bollman Place, Savage, MD 20763 • 1991 • 345 pages • $47.50 cloth

Reviewed by Raymond J. Keating

Paul Fabra, an economics columnist for the French newspaper *Le Monde,* has written an interesting, recently translated book addressing the various shortcomings of both Marxist and neoclassical economics. His advocacy of classical economics in its Ricardian manifestation as the answer to these problems is even more intriguing. One might correctly refer to Mr. Fabra as a "serious" supply-side economist.

Fabra deals with fundamental economic issues in *Capital for Profit.* He manages to redress various errors about David Ricardo's economic theories which have been perpetuated by both Marxist and neoclassical economists. Fabra advocates supplanting subjective value theory with an objective, labor-based theory which focuses primarily on production costs rather than wants or desires. He also clarifies the definition of capital, and, most importantly, argues that profit must be at the center of economic theory, rather than merely treated as a residual. In addition, the author attempts to explore the boundaries of the marketplace.

In fact, there is much to agree and disagree with in *Capital for Profit.* Perhaps that reflects the book's strongest point, i.e., that Fabra requires the reader to reassess many long held economic doctrines. And whether in the end one accepts or rejects the many arguments articulated by Fabra, the reader will come away with a richer understanding of how the economy works.

A few of Fabra's thought-provoking statements are worth noting in this review, with the caveat, however, that his entire thesis be read in order to be fully appreciated:

Fabra rebuffs the so-called Ricardian "iron law of wages," which states that "wages will always be brought down to the subsistence level," by citing Ricardo's own work, and concludes that "nothing could be more alien to Ricardian thought than the idea that the worker is condemned to a subsistence wage."

On the definition of capital, Fabra clearly sees merit in the classical view: "The most significant definition is again to be found in Ricardo: 'Capital is that part of the wealth of a country which is employed in production, and consists of food, clothing, tools, raw materials, machinery, etc. necessary to give effect to labour.'" The author later addresses the "conflict" between labor and capital: "On the one hand, [the classical system of thought] too recognizes that the introduction of machinery (fixed capital) must necessarily put an end to certain jobs. On the other, the general definition it gives of capital—all commodities employed in production and necessary to give effect to labor —induces it to assert that the more capital grows, the more the demand for labor will increase."

In reference to neoclassical theory, Fabra wonders: "The very fact that profit can be alternatively included or excluded [i.e., from marginal product] shows how vague the theory is on a point that is, after all, fundamental."

The pre-eminence of supply over demand, contrary to Leon Walras' views, is asserted by Fabra:

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"The mere fact that it is possible to state that in a market you cannot demand if you cannot supply shows that supply and demand in that market are not equivalent: Logically, supply comes first and demand second." Fabra also comments on the differences between demand- and supply-driven systems: "In a society founded on primacy of demand, the spirit of competition that is so vaunted brings about a leveling of minds and tastes. This is because of the continued stimulation of 'consumption.' In a society closer to the classical model, the spirit of competition would motivate each producer to supply what he is best able to supply (goods or services). His incentive would be to perfect his own capabilities, not to imitate others. In other words, the system would induce every supplier to offer a product of labor that would tend to become 'individual.'"

Fabra's long-term view yields some interesting thoughts on the relation between consumption and capital: "It is often said that consumption is the motor of growth (whence the emphasis placed on demand), but this is a superficial view of things that only proves true in the short term . . . . But if things are considered over a longer period, they appear in a completely different light. The more the work force consumes, the greater the share of productive effort devoted to replacing the capital employed in production. If, conversely, consumption were lower, there is no prima facie reason to suppose that total production—measured in terms of gross product—would be any less . . . . [A] part of the new production, previously devoted to replacing capital, would be available for fresh investment at home and abroad. In other words, the growth rate would be quickened, not slowed down." He concludes therefore, "The combination of lower personal consumption (in relative terms) and a high proportion of saving leads not to a fall but to a rise in employment."

Fabra also criticizes the theory of perfect competition: "It is because competition is imperfect that profits are unequal, and it is this inequality that enables [classical] theory to bring out the salient feature of the exchange economy, the one that makes it technically superior, in our civilization, to all other systems: the great mobility (which it makes possible) of all factors of production. Because the enterprise is constantly being encouraged by the hope of higher profit, it can contribute to progress."

Capital for Profit attempts to resurrect many ideas about economics that perhaps should not have been fully discarded in the first place, especially in light of the current dismal state of the science. In some instances the author succeeds, and in others he falls short. However, the endeavor to reconsider the propositions of Ricardian economics is worthwhile. *Capital for Profit* not only undermines the foundations of Marxist economics, while also severing Marx's thinking from Ricardo's, but also offers an articulate challenge to mainstream economic theory. □

Raymond Keating is Director of New York Citizens for a Sound Economy.

WHY WE SPEND TOO MUCH ON HEALTH CARE
by Joseph L. Bast, Richard C. Rule, and Stuart A. Wesbury, Jr.
The Heartland Institute, 634 South Wabash, Second Floor, Chicago, IL 60606 • 130 pages • $8.95 paper

TWENTY MYTHS ABOUT NATIONAL HEALTH INSURANCE
by John C. Goodman and Gerald L. Musgrave
National Center for Policy Analysis, 12655 North Central Expressway, Suite 720, Dallas, TX 75243 • 88 pages • $10.00 paper

Reviewed by Jarret B. Wollstein

The political voices in America calling for mandatory, universal, government-financed national health insurance are growing ever louder. We are told that health care costs too much, provides too little, and cares for too few. More and more Americans have no health insurance or inadequate coverage, and despite health insurance, long-term medical care can still be ruinously expensive.

Our free market in health care, we are told, has clearly failed. Don't the American people deserve a humane and economical system, like that of Canada or Britain, where everyone who needs it gets health care, and administrative costs are a fraction of what they are in the United States?

Why We Spend Too Much on Health Care and *Twenty Myths About National Health Insurance* have been published just in time to help put an end to such myths. They are devastating critiques of

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the claimed failures of the free market and the "benefits" of socialized medicine. *Why We Spend Too Much on Health Care* focuses on refuting the myth that high health care costs in the U.S. prove that a free market in health care has failed. *Twenty Myths about National Health Insurance* debunks the claimed superior humanity and efficiency of socialized medicine. Together they provide overwhelming intellectual ammunition for advocates of liberty and the free market.

The thoroughly documented thesis of *Why We Spend Too Much on Health Care* is that claims that health care costs are too high in the U.S. because of the failure of the free market are, depending upon context, either arbitrary or just plain wrong.

The authors don't deny that Americans *spend* much more per capita on health care than the citizens of other industrialized nations: 11.9 percent of Gross Domestic Product (GDP) in the United States versus 8.7 percent of GDP in Canada in 1987. But, the authors argue, this in no way means that Americans bear higher *costs* for health care than the citizens of other countries.

First there is a tremendous difference between spending and costs. In addition to dollars spent on national health insurance in other countries, there are also the social costs of "pain, lost productivity, and sometimes . . . premature death of . . . people in waiting lines to receive medical treatment each year. Nine thousand Britons, for example, die each year because they are denied access to kidney dialysis" (p. 6).

A host of Federal and state government policies also compound health care costs in the United States, including some 700 state government mandates which "have been estimated to increase the cost of health insurance by 30 percent"; "Certificate of Need" requirements for new hospital construction; occupational licensing laws that prevent nurses and other health practitioners from performing many routine health functions; and restrictions on managed care agreements (p. 14).

The authors also show the fallacy of international comparisons based upon spending. After all, the United States has far more injuries and deaths from violent crime and far more teen pregnancies than do Canada or England. In addition we have a rapidly aging population, a growing AIDS epidemic, and many other social forces pushing health care demand above what it is in other countries. Without taking such factors into consideration, international cost comparisons become meaningless. Thus the authors argue, "using their own numbers, we can show critics of the U.S. health care system that the U.S. has a *better* record of controlling spending than several developed countries that have adopted the nationalization model" (p. 19).

In addition to considering costs in judging health care systems, we also have to consider services and benefits. Americans are much more affluent than Canadians or Britons, and throughout the world as people become richer, they spend a lower percentage of their income on necessities (like food and clothing) and higher proportion of their income on discretionary goods and services, like health care. If Americans are spending more but getting more they are not necessarily spending "too much" on health care. That is precisely what the authors argue: "Compared to Americans, British patients are half as likely to have surgery of any kind and one-sixth as likely to undergo coronary bypass surgery. British doctors prescribe fewer drugs, perform half the number of X-rays as U.S. doctors, and use half as much film per X-ray. Pap smears and blood tests are recommended only once every five years. Do the critics of U.S. health care believe we should adopt five-year intervals for Pap smears and blood tests? Of course not. *But they compare U.S. spending to that of nations that have adopted such policies"* (p. 31). After this devastating critique of the idea that international comparisons "prove" that Americans spend too much on health care, the authors go on to expose the real culprits in high health care costs: government spending, tax policies, and regulations. Far from having a free market in health care, we already have a semi-socialized market, increasingly dominated by government.

Government spending on health care has increased from $25 billion a year in 1970 to $280 billion in 1990. The authors report: "The health care industry expanded dramatically in the 1970s and 1980s to accommodate the influx of government spending. The number of doctors rose from 151 per 100,000 of population in 1970 to 246 by 1986. The number of other hospital personnel increased from 2.53 million in 1970 to 3.46 million in 1986" (p. 52).

This huge increase in government spending has bid up the cost of medical services for everyone: "With its huge market share, changes in the

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federal government's reimbursement policy are immediately felt by other players in the health care field. The cost-plus payment system under Medicare forced other health care buyers, who bid against Medicare for health services, to pay higher prices. The heavy traffic of consumers for whom health care was nearly or entirely free made it more difficult for those consumers who were still cost-conscious to have any effect on price" (pp. 52-53).

Government tax policies have encouraged payment of health care benefits by parties other than the consumer—particularly employers and insurance companies. If your employer pays for your health care through insurance premiums, costs are generally 100 percent deductible from pre-tax income. But if you pay directly for visiting a doctor or buying medication, your costs are at best partially tax-deductible. The net effect is to encourage third-party payments for health care. Thus "The share of health care spending paid by business increased from 17 percent in 1965 to 28 percent in 1987, while the share paid directly by individuals fell from almost 90 percent in 1930 to just 26 percent in 1987" (pp. 55-56).

Third party payment for health care has the effect of destroying consumer accountability and pushing up prices: "Each individual with insurance, consequently, has an incentive to overuse medical services and no incentive to comparison shop" (p. 66).

The authors also briefly discuss how government regulations push up the cost of health care through medical regulation, insurance mandates, price controls, and occupational licensing.

The authors point out that national health insurance would destroy jobs, quality, and freedom of health care choice. For example, "The Partnership on Health Care and Employment estimates that between 630,000 and 3.5 million workers would lose their jobs under a mandatory insurance plan" (p. 81). And "In Britain, the waiting list for surgery is near 800,000 out of a population of 55 million."

Why We Spend Too Much on Health Care concludes with a summary of two plans to lower cost and improve health care in America, without socializing medicine. One plan was developed by a Health Care Task Force of the National Center for Policy Analysis (NCPA) in Dallas. A second, generally complementary plan, comes from the American Legislative Exchange Council (ALEC) —America's largest voluntary membership organization for state legislators.

Interesting features of the NCPA plan include "allow[ing] insurers to issue no-frills, catastrophic health insurance not subject to state mandated benefits, premium taxes, risk pool assessments, and other costly regulations" (p. 95); "allow[ing] individuals a tax credit for a portion of their health insurance premiums" (p. 95); and "creat[ing] tax credits for deposits to individual Medisave accounts, from which people would use their own money to pay small medical expenses" (p. 97).

Some of the suggestions included in the ALEC plan are "repeal laws that limit the right of insurers to select providers" (p. 101); "make small group health insurance collectively renewable" (p. 101); "cap non-economic medical malpractice damages at $250,000 or five times actual damages" (p. 103); and "forbid wealthy, elderly individuals from sheltering assets in order to qualify for Medicare benefits" (p. 105).

There is little to criticize in *Why We Spend Too Much on Health Care.* The authors are addressing themselves to sophisticated laymen and some of their policy analyses could benefit from less technical language and expanded discussion. All in all, *Why We Spend Too Much on Health Care* does a fine job of refuting one of the most recent rationalizations for expanding government regulation of our economy and our lives.

Anyone who thinks that national health insurance would improve health care in America should also read *Twenty Myths About National Health Insurance.*

Goodman and Musgrave demolish virtually every conceivable justification for socialized medicine including:

MYTH NO. 1: Countries with national health insurance have been more successful than the U.S. in controlling health care cost.

MYTH NO. 2: Although the United States spends more on health care per capita than countries with national health insurance, Americans do not get better health care.

MYTH NO. 4: Countries with national health insurance hold down costs by operating more efficient health care systems.

MYTH NO. 5: In countries with national health insurance, all people have equal access to health care.

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MYTH NO. 6: Countries with national health insurance make health care available on the basis of need rather than the ability to pay.

MYTH NO. 7: Countries with national health insurance maintain a high quality of health care.

The format of *Twenty Myths* makes it both easy to read and particularly valuable as a research tool. Key points are bulleted, there are 27 charts and graphs, and scores of major studies are cited.

Some of the facts you will find in *Twenty Myths* are:

"During the 1980s, the real growth rate for health care spending was higher in 11 of 15 countries than in the U.S." (p. 8).

"General population mortality rates tell us almost nothing about the efficacy of health care systems because, throughout the developed world, there is almost no relationship between health care and general mortality" (p. 9).

In every country with socialized medicine, there are long waiting periods for health care and acute shortages of equipment. For example:

"The United States has seven times as many radiation therapy units [to treat cancer] per person" as Canada (p. 11).

"Because of a shortage of laboratory testing equipment in 1988, women in Newfoundland wait up to five months for a Pap smear and two months for an 'urgent' Pap smear" (p. 11).

"Each year, about 9,000 British kidney patients fail to receive renal dialysis or a kidney transplant—and presumably die as a result" (p. 12).

"In Canada, with a population of about 26 million, the waiting list [for surgery] is more than 250,000" (p. 17). Goodman and Musgrave also debunk the myth that fully socialized medicine is more efficient than the U.S.'s semi-socialized system:

"While one million people wait for surgery in Britain, at any point in time about one in four hospital beds is empty" (p. 20).

"The average hospital stay is 39 percent longer in New Zealand, 42 percent longer in Canada and 61 percent longer in Britain" than in the U.S. (p. 21). Forget about the poor and elderly being better off under national health insurance. As Goodman and Musgrave state, "There is substantial evidence that when health care is rationed the poor are pushed to the rear of the waiting line. In general, low income people in almost every country see physicians less often, spend less time with them, enter the hospital less often and spend less time there" (p. 25). "Across Europe, 22 percent of the dialysis centers report that they refused to treat patients over 66 years of age in the late 1970s" (p. 40).

You can also forget about national health insurance making health care more equal:

"Among Canadian provinces, the number of people per physician varies from a low of 471 in British Columbia to a high of 1,273 in the Northwest Territories—a difference of almost three to one" (p. 47).

"Although more than half of Brazil's population lives in rural areas, residents of urban areas experience nine times more medical visits, 15 times more related services, 2.7 times more dental visits and 4.5 times more hospitalizations."

Twenty Myths also discusses the ruinous economic costs were national health insurance to be enacted in the United States. Goodman and Musgrave estimate that NHI in the U.S. would *initially* require *at least $339 billion in new taxes.* This would mean that payroll taxes would have to be doubled or a new 10 percent across-the-board "consumption tax" would have to be enacted. Many industries would be devastated. For example "the cost of health care for auto workers would more than double" (p. 55).

The worldwide failure of national health insurance has led to health care consumers developing a variety of strategies to avoid long waiting periods and to obtain scarce drugs. Thus in Hungary doctors are "tipped" 40 percent of their salaries by customers who want to make sure they get decent care. "In New Zealand, one-third of the population is covered by private health insurance, and private hospitals now perform 26 percent of all surgical procedures" (p. 28). In Ontario, Canada, "A volunteer organization, 'Heartbeat Windsor,' arranges for Ontario heart patients to get treatment in Detroit hospitals" (p. 28).

Goodman and Musgrave also discuss the worldwide movement away from socialized medicine, including re-legalization of private hospitals in Britain in 1989, introduction of a health care voucher system in the Netherlands in 1987, and new financial incentives in Chile for citizens to opt out of national health care.

Despite its worldwide failure, national health insurance continues to be very popular. Thus "the most recent surveys show that only 3 percent of

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Canadians and only 12 percent of the British public would trade the U.S. system for their own" (p. 76). Why does national health insurance continue to be popular in countries where objective evidence shows it has failed miserably?

To find an answer, Goodman and Musgrave turned to one of the granddaddys of socialized medicine, Britain's National Health Service, established in 1948. They discovered two major reasons: "(1) the typical British patient has far lower expectations and much less knowledge about medicine than the typical American patient; and (2) most British patients apparently believe that they are 'getting something for nothing'" (p. 76). In particular, "most people in Britain believe that the total tax they pay to finance NHS is about 1/20th of what it actually is!" (p. 77). In addition, politically motivated and pervasive propaganda has deluded the British people into believing that NHS is "free" and the "envy of the world!"

The final lesson we can learn from the experience of national health insurance in other countries is that socialism advances not because it is right or efficient, but because its advocates are vocal and well-organized. National health insurance has destroyed quality health care and freedom of choice in countries throughout the world. To avoid that disaster in America, it is urgent that all lovers of liberty marshal their facts and raise their voices. We need to counter the relentless, socialist propaganda for government takeover of medicine, now filling our schools, media, and public forums.

Twenty Myths about National Health Insurance and *Why We Spend Too Much on Health Care* are major weapons in the battle for health care freedom. □

Jarret Wollstein is a director of the International Society for Individual Liberty and the founder of the national Liberty Speakers Agency.

The Morality of Capitalism

edited by Mark W. Hendrickson
foreword by Hans F. Sennholz

The history of the last thirty years is little more than the register of the dismal economic failure of socialism in all its variations. Yet many Americans continue to give it their support and espouse its cause because they believe it to be morally superior to the private-property order. Arguments about efficiency do little to persuade them; capitalism needs to be defended because it is good and right.

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